ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 167 Number 4704 New York, N. Y., Thursday, June 3, 1948 Price 30 Cents a Copy

Unions' Demands and Managers' Policy

By ELISHA M. FRIEDMAN
Consulting Economist
Chairman, Econometric Institute Inc.

New wage increases will harm consumers and dislocate economy. Union wages increased more than consumers' prices. Profits now are at prewar levels as percentage of sales. Recommends farm price ceilings to protect consumer, wages to slide down and up with cost of living, greater productivity with ban on "feather-bedding."

The unions are again demanding wage increases. With many union contracts both expired and soon to expire, about 2,500,000 members may be striking. The old arguments will be restated: (1) the cost of living has gone up and therefore wage rates should rise; (2) profits are large and therefore workers' earnings should increase.

Elisha M. Friedman

These arguments are one-way streets. No union ever urges lowering wages because cost of

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See **PICTORIAL SECTION** for **PICTURES** taken at Annual Spring Outing of San Francisco Security Traders Association.

The Uncommon Man

By ENDERS M. VOORHEES*

Chairman, Finance Committee, United States Steel Corporation

Steel industry leader declares America is land of Uncommon Men because all individuals have freedom and competitive compulsion to develop their particular aptitudes, with miraculous results. Points to "hokum" circulated about sinfulness of profits, stating they are necessary for furnishing tools of production and jobs. Contrasts small pay to tool owners with wages. Pleads for better understanding of stockholders' position, maintaining that every stockholder is a worker, and every employe a capitalist.

It is my wish to speak to you briefly about the Uncommon Man because this meeting is in recognition of men who this day receive diplomas certifying that they are Uncommon Men. It is thus my privilege and pleasure to speak far more in terms of congratulation than of admonition.

Enders M. Voorhees

More than any other land ours is the land of and for Uncommon Men. Yet to keep America of and for Uncommon Men requires that the Uncommon Men within it appreciate the fundamentals that underlie it because it is to them that others turn for guidance in attitudes and decisions which can have far-reaching effects on our country.

Can It Endure?

This is not always easy to do because the very conditions which make it possible for men in America to make the most of that which is uncommon about themselves are also the conditions which insidiously tempt them to

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*Mr. Voorhees' commencement day address at the New York Trade School, New York City, May 26, 1948.

Should We Subsidize Housing?

By MELCHIOR PALYI

Economist, Central Life Insurance Co. of Illinois
Visiting Professor, University of Chicago

Dr. Palyi points out contradictory motivations in Public Housing Program and says it means both subsidized houses and more inflation. Estimates it would take century to give home to every low income family and would end by having government own and operate more than half of American homes. Analyzes difficulties in subsidized housnig and concludes it furnishes unparalleled opportunity for patronage and political favoritism.

I

Americans are both practical and generous. Being generous, we do not like to see people ill-housed even if they cannot afford "decent" homes. Being practical, we want to provide them without either raising our own tax burdens or causing more price-inflation. Needless to say, the objectives are not compatible with one another. We also want the housing problem of the poor solved in such a fashion that the homes should be allocated to those who really need them. Therefore, we do not trust the profit motive to take care of the allocation, while we believe in the profit motive otherwise. We want to have it done in a businesslike fashion, but we trust it to bureaucrats of a sort. We know that subsidized business is unsound business, but we are inclined to put the nation's second largest industry on a subsidized basis. Also, we want more construction

Dr. Melchior Palyi

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EDITORIAL

As We See It

Quite as Usual, BUT . . . . . .

This is a "campaign year," and both the rank and file of the people and the individuals and political groups directly at interest are proceeding quite as usual. As to the "opposition," which entertains high hopes of ceasing to play that role at the beginning of next year, interest and attention is focused mainly, almost solely, upon candidates. It is, moreover, the personal qualities, the "vote-getting" abilities and the amenability to party control of the individual candidates which chiefly concern the "professional politicians" who largely control the party. What the beliefs, if any, of these aspirants for high office may be, or their individual attitudes toward vital topics of the day appear to play a secondary role, if any, among those gentlemen who traditionally occupy the "smoke-filled rooms" in which party decisions are so often made.

What the great rank and file are thinking as to either the tactics or candidates of either the opposition or of the Democratic party, it would not be easy to say with great assurance. If one may judge from such cam-

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Trust Buying in First Quarter

By HENRY ANSBACHER LONG

Analysis of first quarter transactions discloses purchases made chiefly by open-end companies out of newly acquired funds, in oil and natural gas, non-ferrous metal, aviation and insurance equities.

Many investment companies purchased stocks in the depressed markets of the first quarter of the current year. No stampede to pick up equities was in evidence, however, and the buying, concentrated for the most part in the open-end group, was largely done with new money obtained from sales of the companies' own shares to the public. Although over 60% of the trusts covered in the survey bought on balance, it is to be noted from the accompanying table that only eight such companies decreased their cash balances more than a point percentage-wise Several of the larger closed end funds operated divergently from the majority of open-enders, not having re-entered the market with their built-up cash reserves at the end of the quarter.

Henry A. Long

The petroleum and natural gas companies were the big favorites, as they had been for almost two years. Next in popularity were the non-ferrous metals while the aviation stocks, both transport and manufacturing, were added to several portfolios. The insurance stocks were also in high favor which may be the precursor of a trend to be watched in the future. Buying was also marked in the electrical equipments while innumerable transactions occurred in the public utilities, in part resulting from simplification and liquidation distributions. Selling was concentrated in shares of the building and chemical industries, and, on an over-all basis, was not very heavy. Excluding the utilities, the number of buying transactions exceeded sales by 46½%.

There was by no means unanimity of opinion among the open-end managers at the beginning of the quarter under review, although market weakness during the major portion of the period seemed to indicate that there was sound basis for the extreme retrenchment taken by the sponsors of the Russell Berg Fund and Wisconsin Investment Company. Their outlook is to be contrasted with the continued extreme optimism of such trusts as Incorporated Investors, the Knickerbocker Fund and Axe Houghton. In between these two groups are two trusts who did an extremely able job in taking advantage of market weakness in the first three months of the year.

The Wellington Fund, one of the balanced portfolio group, had built up its cash position to almost $14 million, representing 28% of its assets. During the depressed markets it made purchases of $8 million out of this reserve. The other trust which operated cleverly during the period was Affiliated Fund, a fully invested common stock fund of the leverage type. Having no cash available, it went out and borrowed money and invested between $5 and $10 million in equities during February and March.

The cross currents in today's markets, the confusion in the minds of the investor, both amateur and professional, can be appreciated by the opposing forces at work in our economy which have caused disagreement among the investment managers. Was there a correct appraisal of the picture at the time in the early part of the quarter when portfolios were placed in a defensive position? Was it unwise to have protected the funds entrusted to one's management by retreating from stocks even at an earlier period? Should one have rebuilt one's equity position in a hurry in late March and early April—or now, when a very able Dow theorist advises "to those who have not yet bought, market history says run, do not walk, to your favorite broker?"

Conflicting Factors

An excellent analysis of the conflicting factors involved is presented by the trustees of the New England Fund in their quarterly report to shareholders dated May 1: "About the first of the year a number of indices reflecting important business and economic trends started a decline which has not yet been arrested. . . . The recent passage, however, of the European Recovery Program providing for an expenditure of over six billion, the new tax bill providing for additional cash in the hands of the public of approximately 4.8 billion yearly, and the proposed increase in appropriations for the Army, Navy and Air Corps will definitely cushion the decline in business and may again postpone the immediate threat of a business recession. It is still too early to measure with accuracy the full impact of these three recent developments which must be evaluated against the present unparalleled level of this country's 250 billion dollar annual production of goods and services. But it is certain that they will at least be a potent stimulant to business, and *perhaps even of greater moment is the fact that they again raise the inflation threat to a position of foremost consideration.*"

What were signs of weakness in the economic structure that caused certain funds to lighten equity positions even before the first of the year? Carl Berg in the annual report of the Russell Berg Fund presented to stockholders on January 24 notes the present high cost of living problem of business, the ever decreasing percentage of earnings realizable in dividends, and the disastrous consequences of the raised break-even point for industry when demand really begins to fall off. In summarizing general conditions he says: "Developments during the latter part of 1947 did not lessen the the uncertainties in the business outlook which concerned the Fund's management throughout most of the year. Further advances in commodity prices occurred, consumer purchasing power declined, new capital and credit became less plentiful and more costly to business, and political conditions abroad grew worse."

In his report to stockholders on April 15 Mr. Berg explained the initiation of a program to increase common stock holdings by this statement: "In his speech to Congress on March 17 the President of the United States delineated a change in our country's foreign policy which your Fund's management believes may result in another postponement of the development of many of the unfavorable economic factors which had been increasing in intensity up to that time."

In a similar vein, Mr. Harold Story, President of the Wisconsin Investment Company, addressed his stockholders at the annual meeting on March 17. Referring to the highly liquid-position of the company, he noted the maladjustments in the country's economy brought about by the last few years' inflationary trend, the decline in liquid resources of many corporations, the growing credit stringency, and the break in farm prices, but he added that "the rearmament and. European relief programs now under consideration may well result in abruptly stopping these deflationary tendencies." Due recognition is given to what Mr. Story aptly describes as "a general picture of cross currents." Last week, under date of May 25, the Investment Committee presented a report to the Board of Directors of this company in which was described the reasons for a reversal in policy and increasing the holdings of equities. Substantial purchases had been made during the interim, particularly in the shares of oil and mining stocks.

"Had it not been for the necessity of rearming, stock piling and furnishing vast economic aid to foreign countries, we are persuaded that the economy of the country would have shown progressive signs of deterioration in the months to come. . . . The reversal in trend, both actual and psychological, tends to snowball as it rolls along under such conditions. Signs of a near-term business recession so general only some two months ago are being *temporarily* dispelled."

Bulls' Field Day

The managers who have been persistently bullish over the last several years are presently having a field day and one does not bother to inquire whether their prognostications were based on faulty economic reasoning. Future dispassionate historians of the present American economic scene, we believe, however, will refer to these incurable optimists of the post World War II era as plainly lucky. There is little doubt that innumerable indications of deterioration were coming into evidence in the Winter months such as had been foreseen by the more conservative managers of investment funds over the preceding year. The *ex post facto* reasoning which now points to those who placed portfolios in a defensive position in these Winter months and earlier as being wanting in knowledge, fails to appreciate the duty incumbent upon the managers of OPM to weigh all foreseeable factors involved and then protect, not gamble with the funds entrusted to them. The unforeseeable factor, which apparently to date has reversed this trend, although the degree of its potency is still non-measurable, is the power of modern propaganda to stimulate uncontrolled spending for war with Russia whether on the political, economic or battle front. To have appreciated the temper of Congress in

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Regular Features

Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

WILLIAM B. DANA COMPANY, Publishers

25 Park Place, New York 8, N. Y.

REctor 2-9570 to 9576

HERBERT D. SEIBERT, Editor & Publisher

WILLIAM DANA SEIBERT, President

WILLIAM D. RIGGS, Business Manager

Thursday, June 3, 1948

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).

Other Offices: 135 S. La Salle St., Chicago 3, Ill. (Telephone: State 0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $35.00 per year; in Dominion of Canada, $38.00 per year. Other Countries, $42.00 per year.

Other Publications

Bank and Quotation Record—Monthly, $25.00 per year. (Foreign postage extra.)

Monthly Earnings Record — Monthly, $25.00 per year. (Foreign postage extra.)

Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Measuring the Stock Market

By HARRY D. COMER*

Manager, Research Department, Paine, Webber, Jackson & Curtis, Members of New York Stock Exchange

Holding mass psychology is key to stock market, Mr. Comer points out it is people who make this market, and its price trend really reflects what people have been thinking and doing. Reviews difficulties and errors in constructing market averages and describes various formulas. Analyzes factors influencing stock market cycles and compares present stock market levels with those of 1946. Contends rising commodity prices do not necessarily spell bull markets and at present stocks are just about in line with commodity prices. Concludes we are in a bull market and that accumulated demand for stocks will be felt in higher prices.

At the outset it would probably be helpful to define what we are going to discuss this evening. We are going to talk about the stock market—about its past, present and future. Just what is the stock market? Let us try to clarify what we mean by the Stock Market.

Harry D. Comer

First, let me present the classical view of what the market is. The classical statement is something like the following—a view with which I completely disagree:

"The stock market is a **place** where buyer and seller come together and, after carefully examining the stock to be transacted and arriving at a **mutual agreement** as to a price based upon value, effect a meeting of minds—one party buying and the other party selling."

You will note this definition states that the stock market is a **place** where certain things happen. I disagree that it is a **place** and also disagree that those things described do happen.

The following definition, which is decidedly at variance with the classical view, once appeared in the publication of a statistical service. While I also reject this explanation because it emphasizes the idea of a place, I believe this one comes nearer to the truth as to **what happens** in a stock market.

"The stock market is a place where buyer and seller, after possibly examining the stock to be transacted, possibly not, but in either event arriving at exactly opposite views as to the value represented at the prevailing price, come together by proxy, one purchasing what the other sells. Thus, each market transaction where opinion motivates the sale, far from representing an agreement is seen merely to reflect the exact price at which two minds completely disagree as to the wisdom of owning a particular security."

For my own part, I prefer a much simpler definition. To me, the stock market is just people—people like you, and me, and the other fellow.

True, when we see a price of, say, 60 for General Motors on the ticker tape we say that 60 is the current meeting point of the latest buyers and sellers who have been brought together through the medium of our modern stock exchange mechanism. The real market, however, is in the minds of people all over the country, in fact, all over the world.

Like all statistics, prices are merely the evidence of activities of people. The price itself is the latest news from the market and is flashed to the world for the benefit of all interested parties, including present holders or potential holders now in the possession of other stocks or of money.

Mass Psychology—Key to Stock Market

Again, when we talk about earnings per share we are presenting the cold statistics. Marketwise, however, the important thing is—What will people do about these statistics? What will be the popular response? The same is true of all sorts of statistical measurements, such as, carloadings, volume of production, interest rates, dividends, tax rates, and what not. We are prone to deal in the statistics surrounding the market place and to ignore the personal factor. The end and aim of all market measurement should be the attempted determination of **how people will act.** Psychology, particularly mass psychology, is the key to the stock market.

Those of us who are investment writers or financial columnists occupy a peculiar vantage point in this respect. Our fan mail keeps us continuously aware of the human factor. Anyone who has had the opportunity to study the stock market from these "ring-side seats" must be profoundly impressed with the importance of human emotions in determining the trend of stock values. I have with me tonight a copy of a letter received sometime ago from Mr. A. B. C. who lives in XYZ-Town, Conn. I shall read this not only for the entertainment which it may provide but more to illustrate what goes on in the minds of people who make up the stock market. When you are privileged to read letters

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*An address by Mr. Comer before the Dover Service Clubs, Dover, N. H., May 24, 1948.

The Economic Outlook

By DELBERT J. DUNCAN*

Professor of Marketing & Research, Cornell University

Professor Duncan, noting numerous uncertainties in economic outlook, analyzes factors for and against business expansion. Holds, although inflationary trends are dominant, deflationary and stability factors are present and are more forceful than commonly believed. Estimates physical output of goods and services in 1948 will exceed 1947, by slight margin, and foresees greater promotional efforts by retail stores.

This address might well be given in one sentence—in view of the numerous uncertainties which now confront us and the impossibility of judging the future effects of significant developments now taking place, it is impossible to appraise the economic outlook with any degree of accuracy. In other words, the economic horizon, although not so obscure as it was a few months ago, is still not clear. In view of this fact, therefore, all I shall attempt is a brief review of the more important factors of demand and supply in the present situation and indicate their probable effects upon our economy.

Delbert J. Duncan

The dynamic nature of our economy, particularly retailing, is familiar to all of us. Consequently, we must give full recognition to the fact that any attempt at crystal-ball gazing is based on the picture as we see it today. Any development of importance on the political front, any marked change in our foreign policy—with its explosive possibilities—either acceptance or rejection of a third round of wage increases by labor and industry, can change that picture quickly. The recent upsurge in the stock market indicates what I mean. It is advisable under existing circumstances, therefore, to watch the economic horizon closely, to prepare to meet any contingency, and to take prompt and courageous action as the picture becomes clearer. A "tug of war" is now in process between the forces of inflation and deflation and although at the moment those of inflation appear to be gaining ground, the longer run effects cannot yet be determined.

About one year ago there was evidence of a recessionary movement in business activity. Later developments, however, which could not be foreseen in the Spring, changed the picture. Among those developments were the drouth in important grain-producing states, the granting of increased wages to the coal miners, and government purchases for European relief. Again this year evidences of a business readjustment were becoming apparent. The sharp break in commodity prices a few months ago, increasing consumer resistance to prevailing prices based partly on expectation of further declines, the rise in inventories, the curtailment of industrial activity, and the decline in foreign demand seemed to indicate that trouble was ahead. Developments in recent weeks, however, which I shall refer to in more detail in a few moments, appear to have reversed this downward trend. But it is unreasonable for businessmen to expect that something will always happen to offset the readjustment period that must come sooner or later. When such a period will come, I am unable to say! But I do feel very strongly that retailers would be most unwise to continue to expect unusual developments to "bail them out" of their difficulties or to place too much reliance upon governmental appropriations to supply the purchasing power of their customers. We need to return to the basic fundamentals of retail merchandising. We have forgotten what "normal" means. Granted that governmental activities must be watched carefully and that retail policies and practices must be adjusted thereto, there is urgent need on our part for valor—for strength of mind and spirit that will unable us to meet our daily problems with firmness and confidence.

*An address by Prof. Duncan before Controllers' Congress of the National Retail Dry Goods Association, Chicago, Ill., May 26, 1948.

With this brief prologue, let us examine some of the basic factors of demand and supply I mentioned a few moments ago. These may also be considered as the factors encouraging an expansion of the high level of business activity, and factors tending to stabilize or to contract the present level of business activity.

Some Basic Factors of Demand

(1) Perhaps the most important demand factor at present is the tremendous purchasing power — present and potential — in the hands of consumers.

Disposable personal — that is, personal income less personal tax and nontax payments—income is now running at an annual rate of some $185 billion as compared with $183.7 billion during the fourth quarter of 1947. For 1948, it will probably exceed $190 billion. This would be some $15 billion over 1947. This enormous income is, or will be, the result of several causes:

(a) The present high level of employment, now approximateing 60 million, and expected to expand even more in the coming months. Despite the return of many women to the labor forces because of the present high cost of living, some economists anticipate the labor market will become very tight by mid-summer or early fall and remain tight for some time.

(b) High-wage rates and the probability that they will become even higher. Numerous advances have been made in various industries and "negotiations" are in process in others. Present indications are that upward adjustments will take place in many industries. Wage rates will probably continue upward throughout the year though not as fast as formerly. Only time can tell the outcome. (More on this later.)

(c) Money "saved" through the reduction in Federal income-tax rates. For 1948, taxes have been cut some $4.8 billion. Since this reduction will reduce the amount of withholdings, and since a large part of this cut goes to working families, it is expected that they will spend, rather than save most of it. It is interesting to note, however, that personal savings are now increasing and will likely far exceed those of 1947.

(d) Governmental expenditures for the European Recovery Program. An appropriation of $5.3 billion for relief and rehabilitation purposes, while only a relatively small part of our $245 billion economy, nevertheless is having, and will continue to have, an important effect on general business activity in this country. Through increasing demand for certain commodities, it increases employment and purchasing power.

Of interest in connection with the ERP program is the fact that in 1947 our net foreign investment was **$8.7 billion.** This will probably drop sharply in **1948,** perhaps as much as 60-70%, but much of the drop will be a matter of national income accounting. The net excess of our exports of goods and services over imports in 1948 will probably run somewhere between $9 and $10 billion, compared to $11.3 billion in 1947. But in 1948 we shall probably give most of the surplus exports away instead of lending foreign countries money to buy them in 1947 and calling it foreign investment. Hence, as we give them away, net foreign investment will drop but government expenditures will rise accordingly. In this connection, a major problem is the extent to which demand for American goods and services holds up from non-ERP countries, principally South America. One reason for expecting a drop in our exports is the expectation that the non-ERP countries cannot buy from us as freely as they did in 1947 because of depletion of their gold and dollar resources.

(e) Governmental purchases of goods and services this year will be sharply increased because of the international crisis, the increase in the number of government employees and contemplated pay increases for government employees. Last year **total** government purchases of goods and services were $28.7 billion. First quarter expenditures are at a rate of about $30 billion and for the year they will likely exceed $35 billion. Already we are moving again toward an unbalanced budget and tax cuts of this year may well be followed by a substantial increase next year.

(2) Closely related to the factor of purchasing power in the willingness of consumers to spend their income. The psychological effect of the tax "savings" and the over-all confidence generated by full employment and high wage rates are of considerable importance in this connection. Although the results of this confidence have not yet been reflected to any marked degree in retail sales, it is important to note that the confidence of retailers has been evidenced more clearly.

Prior to the President's speech on the foreign situation, large retailers were finding their suppliers increasingly desirous of making prompt deliveries of all merchandise on order, so that commitments were turning rapidly into goods on hand, and the retailers themselves were becoming more actively concerned about their inventories. The change in psychology effected (1) by the President's defense recommendations — and the apparent willingness of Congress to meet or even exceed them, (2) by the speedy enactment of ERP—and the consequent retardation of the decline in the prices of farm products, and (3) by the added threat of scarcity in certain raw materials caused by the proposed additions to the defense budget, is significant. Not only has this change in psychology been reflected in industries most directly affected by an increase in government spending, but to others as well. Witness, for example, the stiffening in tone of the market for worsteds and for

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Wall Street Should Take The Offensive

By LAWRENCE LEIF

Head of Investment Research Dept., R. H. Johnson & Co.

Mr. Leif, calling attention to demogogic attacks on Wall Street, urges both investment houses and industrial concerns to take action in refuting charges and spreading accurate information regarding functions of securities markets. Wants corporations to simplify their reports to shareholders.

Wherever demagogues and politicians gather, wherever left-wing radicals gather and wherever in general uninformed individuals gather for a discussion, "Wall Street" is fair bait for the derogatory and vitriolic discussion. "Wall Street," as an industry, has been slandered more, in our opinion, than any other industry. You will find more adverse articles and discussions about the doings and activities of the industry in newspapers, magazine articles, and in lectures given by various groups than can be found regarding any other business or industry.

Lawrence Leif

Even the average individual with no ax to grind, such as some politician or the left-wing radical, still has so many misconceptions about "Wall Street" and its functions that they are fair game and are very vulnerable to any of the propaganda which they receive in such huge quantities.

One would think, therefore, that the industry as a whole, would rise to its defense and begin a program of showing their side of the story so that, at least, the American individual, who we believe is fair-minded, would hear both sides of the story and thus, have the opportunity of judging whether all the unfavorable statements that they have heard concerning "Wall Street" are true. Those, naturally, who have an ax to grind would only be interested in harboring their own ideas and beliefs regarding this much maligned industry. Yet, strangely enough, seldom is seen, in newspapers or heard over the radio or by means of individual discussion, any real organized effort to show the other side of the ledger. This further weakens the position of those who would defend the financial community and industry. After all, it would seem that with no effort being made to show its side of the story, that one would think that, perhaps, the industry is guilty of the very many charges which is levied against it.

The Stock Exchange has been making some effort along these lines by conducting a program of advertising in various newspapers and magazines throughout the country. However, even this program does not reach the average layman.

Outside of this one lone effort by the New York Stock Exchange and probably a few other organizations, very little is being done by the financial community to secure the good will of the general American public. From all indications, therefore, the leaders in this industry are being remiss in not making an organized effort to show their side of the story and show up the many falsehoods and written adverse statements that have been made concerning "Wall Street."

After all, regardless of the story one hears from the demagogue, some politicians and the left-wing radical, "Wall Street" does perform an essential function which reaches right into the home of every working man. Without the functions and the jobs performed by "Wall Street," our high standard of living would not be what it is. We would not rank as the leading nation of the world in standard of living and physical well-being. Without "Wall Street," this country would not have developed to its present high industrial status and where we now have the whole world looking toward us for financial and physical rehabilitation.

One of the primary functions of "Wall Street" is to bring together those with funds for investment and those seeking such funds. A substantial portion of the capital raised will go into conservative high grade investments. Also, a large amount of capital is used to develop new ventures which have been forerunners of so many of our successful industries.

The insurance companies which have millions and millions of policyholders scattered throughout every strata of American economy invest a very substantial portion of their funds in securities. The insurance companies, in the main, furnish the funds which allow — for example — our utility companies to secure the necessary funds needed for expansion and which also result in improving the standard of living of the American individual.

Banks, fire insurance companies and other institutions also are large organizations which furnish funds so that large industries may receive the necessary funds with which to provide for further expansion. It goes without saying that all of these funds result in a substantial increase in employment which naturally, affects our whole economy on the favorable side.

Where "Wall Street" receives the most abuse is where it provides funds to go into what is considered the "speculative venture." Natuarlly, in the development of new companies and new industries, capital has been lost but it must be realized that in the development of our industrial economy, many new ideas are brought forth, which after the expenditure of funds, may not prove commercially productive and may not have, as proved later, real economic justification. However, many of these investments have resulted in making substantial fortunes for many who invested their funds in speculative ventures.

After all, it has been in our life span, that the automobile has developed from a trick gadget, from a novelty, from a visionary impracticability to one of our largest industries and one of the mainstays of our economy.

It may surprise many to know that in the 1920's there were over 200 different makes of automobiles in existence. All of us can remember such cars as the Auburn, Maxwell, Moon, Pierce Arrow, Paige, Stutz, Essex, Marmon, Stanley and many others which have disappeared from the scene.

Today, the automobile is an absolute necessity in the American mode of living but without the necessary speculative funds, some 30 odd years ago, the industry would not have reached its present status where it furnishes employment directly and indirectly to many millions of workers throughout the United States and

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The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Over-all industrial production the past week moved into slightly higher ground. From a comparative standpoint, it is noted that output in most lines a week ago, reflects a favorable showing when matched with results obtained in the corresponding week of 1947. In the week most producers were able to obtain an adequate supply of raw materials and along with that favorable aspect deliveries were prompt.

Of great importance on the labor front was the settlement reached on Tuesday of last week between General Motors Corporation and the United Automobile Workers' CIO, wherein General Motors agreed to an adjustable 11-cent-an-hour wage increase.

This action was followed late on Friday by the Chrysler Corporation which granted to its UAW plant workers a flat 13-cent hourly wage increase, thus ending its 17-day strike. The increase will boost Chrysler's average hourly wage for production workers to $1.63. Salaried employee's pay was raised about 9%, with a floor of $20 a month. On Wednesday, Ford announced that it will begin contract negotiations with the UAW on June 14.

While industry is at present and will continue to be confronted within the coming months with new wage demands, it is felt in some quarters that the settlement made by General Motors will set the 1948 wage pattern for other industries.

* * *

A perusal of the Federal Reserve Board's 1948 survey of consumer finances reveals that indebtedness is on the upturn and that more merchandise is being purchased on a credit basis today than was true of a year ago. It added, that "further substantial increase in the volume of mortgage credit" will have to take place to permit people to buy the new homes they desire. The survey further reveals that somewhat more than 1,000,000 of the 48,400,000 spenders questioned said they wanted to buy new homes this year, and that they wanted to pay 1947 prices for them.

During 1947, about 2,500,000 of the 48,400,000 consumers surveyed disappeared from the $3,000-and-under income group and the same number were reported added to the $5,000-and-above bracket.

Though, about 50% of the consumers questioned reported higher incomes during 1947 than in 1946, "a considerable number of these" felt they were worse off financially because of "the higher cost of living," while about 30% of the total showed little change in income, with 20% reporting decreases.

Demand for durable goods other than autos also will continue in 1948 about as heavy as in 1947. These include such things as furniture, refrigerators, radios, washing machines and similar appliances, the survey notes. During 1947 about 17,000,000 spenders bought these durable goods. About 9,000,000 of these consumers used instalment credit for their buying, nearly twice the number buying on credit in 1946.

* * *

Although business failures fell in April to 404 from the postwar high of 477 reached in March, they were more numerous than in any other April since 1942, according to Dun & Bradstreet, Inc. Only about one-third as many concerns failed, however, as in comparable prewar months. In 1939, for instance, some 1,331 businesses failed in April.

The Failure Index, which relates the number of failures to the number of concerns in operation, dropped to 17 per 10,000 businesses from the preceding month's rate of 20.

* * *

Warm weather in many areas encouraged the consumer buying of seasonal merchandise. Sporting goods and summer apparel were sought along with merchandise suitable for wedding and graduation gifts. The total dollar volume of retail trade was moderately above the levels of both the previous week and the corresponding week a year ago.

Wholesale dollar volume increased slightly during the week and remained moderately above the level of the similar week of last year. There was a moderate increase in orders for some fall merchandise, while re-orders for spring and summer goods were substantial.

STEEL OPERATIONS SCHEDULED AT SLIGHTLY LOWER RATE FOR CURRENT WEEK

Many steel officials believe the only salvation for the basing point system in steel as now practiced is legislation. The Cement Decision is so plain in its wording about basing points that there is no hope in that quarter. Additional evidence in the past week indicates that no matter what the outcome of the present hearings of the Federal Trade Commission against steel, the industry will fight for retaining the present method of selling steel, states "The Iron Age," national metalworking weekly, in its current summary of the steel trade.

One thing appears certain this week, the trade magazine adds, and that is the basing point question is now, and will be, the most important factor in steel discussions. The greater Pittsburgh district, when taken together with Cleveland and Youngstown, constitutes more than 43% of total capacity in the steel industry and most students of distribution are certain that this much capacity is far in excess of consumption in that area alone, under so-called normal conditions.

If an f.o.b. mill system were installed, it is certain that the Pittsburgh-Youngstown-Cleveland area would be hardest hit.

The steel user in a steel area might be able to get about half of his requirements, states the magazine. But for the other half he might find it necessary to go hundreds of miles—if, in fact, he could get the steel at all. The expense of getting that half might more than offset any advantage of being in a steel center. If he is too far from his own consuming market it may be to his disadvantage to be close to a steel mill area. This, say many steel people, is why the

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Observations . . . .

By A. WILFRED MAY

Mr. Hoover and the Behavior of His Country

Simple justice toward a cruelly maligned individual furnishes ample reason for giving the factual truths about Herbert Hoover's deeds as President of the United States. But the story far transcends this orbit. For not only should the facts of those crucial times be set straight for the historical record in politics and finance, but they have important permanent implications regarding: (1) the strength of our democratic processes in the face of political demagoguery; (2) central planning; and (3) the present-day niche of "public relations" in the American political scene.

A. Wilfred May

And as well as by the more serious students, the real Hoover record and principles should be understood by those many later-infuriated capitalists who voted for Mr. Roosevelt in 1932 in the hope that he would bale them out of their crash-stricken predicaments.

This opportunity has just been interestingly as well as authoritatively provided by Eugene Lyons in a new book just off the press, written under the significant caption *"Our Unknown Ex-President: A Portrait of Herbert Hoover."**

Fortunately no political or ideological hack was chosen as author, and while the product is most timely at this pre-election time, it cannot possibly be termed campaign pamphleteering. In the early nineteen-thirties Mr. Lyons was known as a "pink Liberal," a rabid "anti-reactionary" who felt that the mortal sin was not to be wrong but to be Right. Self-described as one of "the pack howling at Hoover's heels and at the 'Hoover depression'," as publicity director of the American Labor Party in 1936, he actively helped to swing New York State behind Roosevelt.

Killing Some Fictions About New Deal Financial Reform

Although Mr. Lyons is not essentially a financial writer, he has been able to explode some generally accepted fictions about the New Deal's alleged great deeds in pioneering the country's financial reforms. He cites the documentary evidence showing that far from initiating financial reforms, Governor Roosevelt and the Democratic leaders in a Democratic Congress actually opposed President Hoover's proposals therefor.

Most people have forgotten that President Hoover took action along these lines in the 1929 aftermath by unsuccessfully ordering an investigation of short-selling practices (which then really were important) in 1930; by starting a Congressional inquiry into banking in 1931; by initiating the Congressional investigation into securities practices in April 1932 (Sen. Res. 84) under the Chairmanship of Senator Norbeck and prosecuted by the Philadelphia criminal lawyer, Gray; and most importantly by initiating the epochal Pecora investigation which lasted from January 1933 to mid-1934 and produced the 1933 and 1934 securities acts.

The Wall Street orgy assuredly took place in his State of New York. But Governor Roosevelt, despite the precedent of the famed Hughes insurance investigation of 1906, from 1929-1932 persistently refused to explore the matter with state machinery. Because of the absence of a Federal corporation law and the unconstitutionality of inclusive nationwide legislation, the resulting securities laws have worked out incompletely, inconsistently, and discriminatorily.

Demagoguery Versus Democracy

A justified subject for long-term worry, in the belief of this columnist, is the possibility of our country's democratic forces being crippled by self-interested political action. Charles Michelson, the 1930's archetype of our present-day public relations "engineers," is described by Mr. Lyons in documentary detail. He is shown to have been a shrewd designer of demagogic slogans, who even boasted frankly and cynically to his political adversaries of his below-the-belt "distortions." He is pictured as a conductor of smear mills, who turned out millions of ghost-written words and operated wholly in the spirit of a high-powered shyster salesman tearing down a competing product. The effect of the ruthless Jouett Shouse-Michelson tactics was to keep unloosed a relentless offensive on, and seeking to strip prestige from our President in his struggle, against terrific odds, with the greatest depression in his country's history.

But not only by the opposition party's political machine, but by most Congressmen also, was their nation's crisis used as the means for selfishly feathering political nests. Thus the legislature, the cornerstone of our democracy, laid itself open to the subsequent long-term impairment of its prestige in the public's mind. How such

*"Our Unknown Ex-President: A portrait of Herbert Hoover. By Eugene Lyons. 337 pages. Doubleday, $2.95.

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Paul Rowen Member of Securities Exchg. Com.

Paul R. Rowen of Boston has been sworn in as a member of the Securities and Exchange

Paul R. Rowen

Commission, filling the vacancy created by the resignation of James F. Caffrey last December. His term will expire June 5, 1950.

Richard B. McEntire has been nominated by President Truman for a new five-year term as a member of the Commission.

Bertram Meaden With Schafer, Miller & Co.

Schafer, Miller & Co., 15 Broad Street, New York City, members of the New York Exchange, announce that Bertram W. Meaden has become associated with them as a customer's broker. Mr. Meaden, who retired as a lieutenant commander after twelve years service with the Royal Navy, was a destroyer commander during World War II.

Henry Lodge Sales Mgr. For Buckley Bros.

The Philadelphia and New York firm of Buckley Brothers, members of the New York and Philadelphia Stock Exchanges, announces that Henry G. Lodge has become associated with them as Sales Manager.

Mr. Lodge is making his headquarters at the New York office, 44 Wall Street.

Uncontrolled Inflationary Tendencies

By D. EMMERT BRUMBAUGH*
Secretary of Banking, Commonwealth of Pennsylvania

Prominent state bank supervisor points to huge national debt and unbalanced budget as inflationary threats that must be controlled. Holds Administration's wage policy has created inflationary spiral and blames high taxes for retarding incentive and restricting flow of venture capital. Attacks encroachments of government in business and profligate lending of government credit agencies. Says additional reserves for banks would have adverse effect on country banks and urges government economy.

One of the greatest threats to the liberty and freedom of the American people is the gaunt specter of inflation which threatens our economic security. If we fail to curb the inflationary spiral by a clear concept of its cause and cure, we are destined to travel the road to economic ruin.

D. E. Brumbaugh

Such a result would have worldwide demoralizing effects since we are recognized by most nations of the world as the economic saviour of the human race. We have earned this role because we have become the possessor of more real wealth than any other nation on earth, an accomplishment we owe to the spirit of free enterprise. Yet we have achieved this position in world affairs with only 6% of the world's population and 6% of its area. Through the genius of American industry and the skill and knowledge of free labor, we have given to the people of the world more of the comforts and conveniences of life than they have received in the preceding 5,000 years.

We have had our growing pains through the eventful years of our development as a nation. Yet the sacrifices were worth the struggle for we have reaped the rich rewards of liberty and freedom. It is to preserve these cherished possessions that we resolve to meet the challenge to our economic security in fighting the fires of inflation that were kindled in the early thirties when we were told we needed a new philosophy of government to cope with a worldwide depression.

Deficit Spending

Our nation embarked upon an era of deficit spending and bureaucratic waste that has endured for over 16 years. The volume of money in circulation increased from $5½ billion in 1933 to more than $28 billion today, an increase of over 400% in money in circulation, due primarily to deficit financing.

It should be remembered that during the period of 1933 to 1939, bank deposits and currency outside banks increased from $42½ billion in 1933 to $66½ billion. At the same time, there was no corresponding increase in production because we had in the neighborhood of ten million unemployed.

In the fiscal year 1933 our public debt was $22½ billion. The policy of deficit spending was maintained from 1933 to 1941 before we became involved in war and were compelled to borrow hundreds of billions of dollars more to finance our military operations in every corner of the globe. From the fiscal year 1933 to the fiscal year 1941 the public debt increased to $58 billion. Today, our national debt is approximately $253 billion, on which the annual interest is $5½ billion.

During the past 16 years the policy has been to "tax and tax, spend and spend, elect and elect." As a result, we witnessed the creation of a multitude of alphabetical agencies that were not confined to Washington but which extended their activities into every hamlet and city in America. The effect was to move democracy from the cross-roads of America to the nation's capital. This was accomplished by invading the states and imposing a centralized form of government on the people.

This new philosophy of government supported by deficit financing and deficit spending made direct grants of Federal aid to states and political subdivisions and, with millions of citizens on WPA and kindred projects, the idea was transplanted to the minds of millions to the extent that dependence upon Washington became a popular but costly fad.

The public debt which increased from $22½ billion in 1933 to some $252 billion, is an inflationary threat that must be controlled. It is good to know that the subject is receiving the attention of Congress and that all segments of our economy are conscious of the inherent evils of a huge public debt and an unbalanced budget. Economy in Federal expenditures is a necessity in achieving the objective of annual debt-reducing payments.

With a budget of nearly $40 billion, which may be greatly increased by our foreign aid program and our national defense requirements, economy in government is absolutely essential. Reports indicate that in two years the annual budget may reach the staggering sum of 50 billion dollars. This increase is predicated on the possibility of approval of social legislation and an expected increase in the cost of our rearmament program. Then too, the European Recovery Program of economic aid is expected to be supplemented by a request for military aid to European nations.

Thus, we have a clear outline of the relationship of the national budget to the public debt as uncontrolled inflationary tendencies, since both of them are bound to reflect the cost of our foreign aid programs. Inflation in Europe will have an unfavorable effect on the cost of foreign aid unless the various nations can restrain and remedy inflationary conditions.

Inflationary Wage Rises

The need for wage control as an integral part of the price-control and anti-inflationary policy was widely recognized during the war. President Roosevelt in his anti-inflation speech on Sept. 7, 1942 said: "To keep the cost of living from spiralling upward, we must stabilize the remuneration received by individuals for their work." Previously on May 11, 1942, Leon Henderson had said: "My position is that you cannot control inflation without controlling all the various elements, and that if one element is left free, it has the possibility of depriving you of control."

On the relationship between increased wages and inflationary pressures in the postwar world, the following analysis by economist Richard B. Heflebower is pertinent: "At the end of the war there was widespread expectation that after physical reconversion we would experience a rapid rise in industrial efficiency not attended by price declines. Such an event, it was contended, would require sizeable wage boosts in order to forestall a deficit in consumer spending. Actual events have shown that wages have been boosted in advance of increases in output per man hour. Therefore, higher wages brought corre-

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*An address by Mr. Brumbaugh before the Annual Convention of the Pennsylvania Bankers Association, Atlantic City, N. J., May 21, 1948.

From Washington Ahead of the News

By CARLISLE BARGERON

Several weeks ago your correspondent wrote from Fort Worth, Texas, that the so-called Southern revolt was serious, and could not be laughed off. At the time, I didn't intend to convey the impression, and if I did, I shouldn't have, that Truman would be denied the Democratic nomination.

Carlisle Bargeron

This is utterly foolish and I am frankly amazed at the continued talk of Eisenhower being "drafted" to head him off. The talk about "Bill" Douglas being pulled from his security on the Supreme Court to make the Democratic race has seemingly died down. I never had any more substance than the desire of his close publicity-minded friends, namely Tommy the Cork Corcoran, to keep his name before the public.

The facts are that long before the talk about him, or rather the publicity, died down, he had told Truman that he had not the slightest intention of seeking the Democratic nomination. But he did appreciate the publicity. You wonder, of course, why a man on the Supreme Court would still think publicity necessary to him but you don't understand the present Supreme Court which Roosevelt made.

Anyhow, getting back to Truman and the Democratic nomination. There is not the slightest doubt that he will get it. It is the sheerest bunk, to say, as some commentators have said, that his "non-political" swing through the West is with a view to his finding out whether he can make the grade and if he finds in the negative, he will relinquish the nomination. Unless there were downright hostile demonstrations against him, which there won't be, he could not possibly find out any such thing as this.

In 1932, Herbert Hoover thought up until two days before the elections, that he would be reelected. Those who were close to him at the time say he realized the jig was up then. What happened, just what developed in his mind, is anybody's guess. It is also a cinch that he came to the conclusion himself against what he heard from those around him.

However, there are certain inescapable mechanics about the renomination of a President.

The expression being used and which I used, about the Southerners bolting the convention, is no the proper one. They won't bolt. Nobody else will bolt. It is likely to be, insofar as the convention hall itself is concerned, a very harmonious and unanimous thing.

What will happen is that no delegation going to Philadelphia for the Democratic National Convention in July, that is opposed to Truman, will be seated. The credentials committee will take care of that. And the Truman forces will control the credentials committee.

Every convention, Republican and Democrat alike, have contesting delegations from several States. The fight before the credentials committee for recognition is one of the first tests of power at a convention.

In the Republican convention there will come up contesting delegations from several States. It will be one of the first tests of power between Taft and Dewey, and perhaps, in some instances Stassen, as to which group is seated.

Ordinarily, any delegation coming up from the South opposed to Truman will not be seated. That is what happened in the fight between Teddy Roosevelt and William Howard Taft in 1912.

So on the face of this, the Southerners will not "bolt" the convention, they will not walk out. They will not have gotten in, in order to be able to walk out.

If the Truman managers work it out as it is assumed they will, these fellows when they go off and hold their rump convention will be put in the light, not of bolters, but of those who were not recognized at the convention.

There is this interesting exception to the rule. So far, in the South, where the delegates have pledged themselves to walk out on Truman, there has not appeared any contesting group of delegates. But you may rest assured that they will appear soon, from the officeholders whom Truman controls.

It will not be an easy thing for them to do, to contest the delegates who are committed against the civil rights program, because it is without doubt, rank and file, unpopular in the South. But that they will appear seems certain.

The fact that they will appear, and that Truman by virtue of their support, will get a "unanimous" nomination, does not diminish in the slightest the harm that the protesting Southern delegates will accomplish. Whether or not they have another convention, they will make the South's dissension manifest, and this will certainly be harmful to Truman's candidacy.

Oh, but the Southern States will all vote for Truman on Election Day, you say. What seems to be lost sight of is that Truman has already lost two Southern States in the Electoral College and possibly a third. Regardless of what happens at the Democratic convention, Alabama and South Carolina, have already voted for electors pledged not to vote for Truman in November, or any other candidate running on a Civil Rights platform. These two States total 19 votes. Then there is Virginia in which the electors must await instructions from the State Democratic convention. This is another 11 electoral, not delegate votes.

In the meantime, I think one of the funniest things in the world has happened to the Eisenhower backers. He has been a hero whom I have been assured could sweep the country on either ticket. MacArthur, on the other hand, has been a man who would be crucified by the GIs. Why? Well, there seems to have been quite a propaganda built up against him; the Navy had a part of it even during the war. A part of this propaganda has been that he ran the bonus marchers out of Washington back in the '30s.

Well sir, a few weeks ago a muckraking magazine decided to dig up and tell the story again of how he had run them out. It printed photographs of MacArthur riding up Pennsylvania Avenue on that memorable day at the head of his "troops."

So help me goodness, who develops to be riding right at his side, just as menacing, but Dwight Eisenhower, who at the time was a Major and MacArthur's aide.

Free Gold Markets Change With The Times

By HERBERT M. BRATTER

Washington monetary expert, noting recent agitation of some economists and mining interests for a free gold market, points out defects in their arguments. Contends free gold market, with floor of $35 per ounce paid by U. S. Treasury, would lead to purchase of gold by speculators to be resold for dollars and therefore would not result in better distribution of gold reserves.

The bills for a free gold market introduced in April by Senator Pat McCarran (D., Nev.) and Representative Clair Engle (D., Calif.) may be viewed as election year gestures of two mining-state spokesmen. Futile gestures, no doubt, since any serious consideration of the proposal would meet with strong opposition from official quarters, including the World Fund. These identical bills would permit free trading in this country in any gold mined here or imported after the "effective date of this act," and the free exportation of such gold without tax, license or restriction of any sort. Obviously, such a law would undo what the Fund, with active U. S. support, has been trying to do, especially in the Fund's request of last June and the ensuing American amended Treasury gold regulations designed to cooperate with the Fund in stamping out the trade in gold at premium prices.

Herbert M. Bratter

Mining company officials and others have looked with envy on the premium prices for gold obtainable in many foreign countries. Although such premium prices, determined in foreign black or "parallel" markets for the local currencies, vary greatly from place to place and time to time, and reflect the overvaluation of foreign currencies rather than the price which gold would bring in a free market in the United States, they are repeatedly citied as justification for the demand of American mining interests and others that the price of gold in the United States should be permitted to rise. Back issues of the "Commercial and Financial Chronicle" and of Prof. Walter E. Spahr's "Monetary Notes" contain numerous examples of such pleadings. What is overlooked in these arguments is the fact that capital movements are under rigid control in a large part of the world and that the proceeds of American gold exported and sold in foreign black or premium markets could be repatriated in full only in contravention of the laws of the countries concerned. Nor is it necessary to more than mention the havoc which freedom of private American gold exports would play with the system of par values which the World Fund, already with great difficulty, is with official American cooperation trying to maintain.

A Hollow Ring

What gives the majority of the free - gold - market pleadings a rather hollow ring is the fact that the advocates do not ask for a really free market. Like the supporters of the silver-subsidy program, mining advocates of a "free gold market" today (e.g., Sen. McCarran and Mr. Francis H. Brownell) want a "free" market in which the U. S. Treasury will always stand by ready to purchase from all comers any gold offered at $35 an oz. Moreover, none of the Treasury's huge gold hoard would be permitted to be sold at other than $35 an ounce, and this not to the free market. The proposed "free gold market" would be a very sheltered market, with a basement on the 35th floor, so to speak.

The McCarran-Engle bill raises some peculiar problems. For instance, how could one be sure that gold offered on the U. S. free market established under the measure would be newly-mined or newly-imported, some Washington officials have been wondering. And have the bills' authors thought of the competition which U. S. producers of newly-mined gold would face on the part of foreign governments and central banks which could buy gold from Uncle Sam at $35 an oz. export it from this country, and then re-ship it here for sale on the free market? If they should sell such gold at premia above $35, the dollar proceeds could be used on the endless chain principle to obtain more Treasury gold, withdraw it from the country, reship it to the American free market and so on indefinitely, until the price there is beaten down to the Treasury's official price. The Treasury, in which the law vests title to all this country's monetary gold stock, while selling gold at home only for the legitimate arts and industries, puts no obstacle in the way of friendly foreign governments or central banks converting into gold any of their dollar balances they chose to convert and export from our shores.

The Basis for Speculation

A major reason for regarding skeptically the free-gold-market proposition is this country's experience with organized speculators in gold and silver in the early 1930s. On behalf of persons who had withdrawn capital from the U. S. A. in fear of devaluation of the dollar, it was argued that the

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Economic Uncertainties And Real Estate Loans

By E. E. AGGER*

Chairman of Economics Dept., Rutgers University
Former State Banking Commissioner, New Jersey

Dr. Agger reviews background of present economic conditions and points out factors leading to further inflationary advances in prices. Sees likelihood of reimposition of credit and other controls but says there is no ground for anxiety. Urges preaching doctrine of thrift and advises mortgage loan institutions to fortify themselves by additional reserves and other precautions as "real estate is in relatively weak position."

Economic and financial analysis and forecasting isn't what it used to be! In the days of the international gold standard the relatively few variables that one had to take into account concerned basic gold reserves, money rates, capital issues, trade movements, etc. The free market was the regulating agency. International price levels were brought automatically into harmony. Statistical trends could be projected and reasonable conclusions deduced therefrom. Even the psychological factor vaguely defined as "business confidence" was by no means entirely unpredictable. It, too, could be analyzed and its likely developments foreseen. In short, the student of the business scene could feel reasonably sure of himself. He did not always feel like a chip of wood in a maelstrom!

E. E. Agger

Yet that is how he feels today. The gold standard has been supplanted by money management—indeed in some cases by money chaos. The discipline and control of the free market has been greatly restricted by all sorts of governmental interferences. Much of the economic future has thus become dependent upon governmental, and, indeed, intergovernmental policies. Moreover, in the United States we are confronted with a presidential election! He would be a hardy spirit indeed who, under these circumstances, would venture far into the mystic land of prophecy.

Our first task is, therefore, to outline our frame of reference. Our system today is a mixture of free enterprise and statism. The free enterprise system rests basically on the institutions of private property and freedom of contract. A series of basic assumptions, however, condition the operation of these institutions. The first assumption is that all economic procedure rests upon individual choices. The next is that, in the exercise of his choices, whether as producer or consumer, the individual is subject to the discipline of competition in a free market. Involved in this assumption is another, namely, that all competitors will enjoy relatively equal bargaining power. It is for this reason that, from the time of Henry V in England, there developed a consistent opposition to monopoly. A further basic assumption is the ethical one that the individual will guarantee the integrity of that which he offers in the market place. Finally it is assumed that the free market, open to all without restriction, and on a basis of equality of bargaining power, will justly determine the value of the individual's goods and service and thus fix for him his share of the social income as a whole.

We recognize, of course, that these ideals of the system of free

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*An address by Dr. Agger before Fifth Annual Convention of the National Savings and Loan League, Atlantic City, N. J., May 26, 1948.

The Coal Situation

By H. A. GLOVER*
Vice-President in Charge of Sales, Island Creek Coal Sales Company

Asserting it is conceded that U. S. and world must rely more on coal for heat and power, Mr. Glover outlines expansion of the industry. Points out high cost of opening up of new mines and sees need for $600 million for new plant and equipment in next three years. Denies coal industry is earning "considerable profits," pointing to but 2% earned on investment in 1946. Says higher miners' earnings are partially offset by greater output due to mechanization, while coal prices are kept down by competition with other fuels. Scores monopoly of coal miners union.

Never in the world's history has there been as great, as insistent, and as prolonged a demand for bituminous coal as there is today. This, of course, is an outgrowth of World War II. Coal producers of the United States have generally kept pace with this demand and the United States is the only part of the world that has been able to do so. Part of this demand is new and most of it came so quickly and so unexpectedly that it has been impossible to supply all requirements with the kind, quality and size of coal desired or needed.

H. A. Glover

Our primary interest here is, of course, in coal for consumption in the United States and the Dominion of Canada, which has always been a part of our natural market; but we cannot consider this intelligently without at the same time giving some thought to the demand for coal for overseas export, which is still urgent and will continue for some time to come.

Instead of having the decline in requirements that was normally expected after the cessation of the war, the requirements for coal, especially for steel and other industrial purposes and for the generation of electricity, have grown tremendously. The demand for coal for the heating of homes, schools and hospitals has been, and still is, very strong—the railroad consumption has been far above any prewar period—the intensive industrial development in the Dominion of Canada is now creating a very urgent demand for bituminous coal from the United States. It is now generally recognized that all of these strong demands will last for years to come.

It is generally conceded that the United States and the world must for centuries to come rely more greatly upon coal than upon any other source of heat, light and power, and this cannot possibly be true unless the use of coal is sound from an economic and competitive standpoint.

The coal industry is preparing to take care of these demands. It is highly essential that this program be accelerated if we, as producers, are going to be able to furnish you, as purchasing agents, with the quality and quantities of coal you need. The difficulties you have had in the past few years will not disappear over night.

While the coal industry last year produced 620 million tons of bituminous coal—and probably came nearer supplying its customers with their needs than any other major industry—the requirements of the present and future are such that we must have more mines and increased and improved cleaning and preparation plants if we are to give you and other American and foreign consumers the quantity and quality needed.

Many companies are now engaged in planning and constructing new mines and new surface facilities embracing the latest and most effective cleaning and sizing equipment, much of which has been developed in the last five years. While these new facilities will in time be adequate to meet the demand for bituminous coal of good quality and appropriate size, all of them do not represent additional capacity. Old mines are becoming exhausted and part of the new construction is for replacement purposes.

Furthermore, we cannot expect these new facilities to be developed as rapidly as they could have been before the war because of delays in obtaining deliveries from companies from whom we buy machinery, materials and supplies. Before the war we could expect delivery of cutting machines, drills, motors, loading machines and pit cars within 60 to 90 days. Today the manufacturers of such equipment are sold up for two or three years and we are unable to obtain even reasonably accurate estimates of delivery dates. For these reasons it requires a minimum of two to three years to construct and get a new mine into operation.

However, the mere fact that manufacturers of equipment and material for the development of new mines are from two to three years behind is proof conclusive that enormous capital expenditures are being made by the coal industry in order to insure you an adequate supply of coal of the highest possible quality.

You may ask why, with 620

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*An address by Mr. Glover at the Annual Convention of the National Association of Purchasing Agents, New York City, May 31, 1948.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Banks—In 1948—Discussion of asset position and growth possibilities—Wm. R. Staats Co., 640 South Spring Street, Los Angeles 14, Calif.

Also available are analysis of the **Construction Industry** and growth trend in **Electric Light and Power.**

Building Industry — Report — Mitchell-Hoffman & Co., Inc., 1424 K Street Northwest, Washington 5, D. C.

Included in the report are brief analyses of **Certainteed Products Corp., Ferro Enamel Corp.,** and **Paraffine Companies, Inc.**

Canadian Chartered Bank Shares—Booklet—Cochran, Murray & Hay, Dominion Bank Building, Toronto, Ont., Canada.

Commercial Refrigeration Industry — Memorandum—Barclay Investment Co., 39 South La Salle Street, Chicago 3, Ill.

Also available is a memorandum on **Sherer Gillett Company.**

Common Stocks With Outstanding Dividend Records — List of stocks which have paid dividends for 30 years or longer—Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

Fire and Casualty Insurance Stocks—Comparison of earnings of principal issues for 1947—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Hartford Insurance Companies—Ten-year record of earnings and other data—Conning & Co., and Ballard, 50 Lewis Street, Hartford 4, Conn.

Market Outlook—Memorandum—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Price Earnings Ratios and Yields on 123 Public Utility Common Stocks—Stroud & Company, Inc., 123 South Broad Street, Philadelphia 9, Pa.

Also available are a valuation and appraisal of **Railroad Equipment Certificates and of City of Philadelphia Bonds.**

Retail Merchandising—Review—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Television — Discussion of growth possibilities—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

Television Facts—Discussion of the industry—Leason & Co., Inc., 39 South La Salle Street, Chicago 3, Ill.

Also available is an analysis of **Allen B. DuMont Laboratories, Inc.**

Western Canadian Oils — 1948 issue—James Richardson & Sons, 80 King Street, West, Toronto, Ont., Canada.

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American Gas & Electric—Leaflet — Moyer & Company, 1530 Walnut Street, Philadelphia 2, Pa.

American Insurance Company—Summary and anlysis—Dempsey-Tegeler & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Also available is the current issue of "News and Views" containing notes of current interest on insurance issues.

American Water Works Co., Inc.—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Bank of Manhattan Company—Circular—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Bird & Son, Inc. — Outlook—Chace, Whiteside, Warren & Sears, Inc., 24 Federal Street, Boston, Mass.

Black Hills Power & Light Co.—Analysis—Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y.

Burnham Corporation — Analysis—William L. Burton & Co., 25 Broad Street, New York 4, N. Y.

Also available is an analysis of **Phillips Screw Co.**

C. I. T. Financial — Survey—Abraham & Co., 120 Broadway, New York 5, N. Y.

Calgary & Edmonton Corp., Ltd.—Analysis—Oppenheimer, Vander Broeck & Co., 40 Exchange Place, New York 5, N. Y.

Also available are data on the **Fresnillo Company.**

Champion Paper & Fibre Company—Memorandum—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Chilton Company—Detailed Memorandum — Boenning & Co., 1606 Walnut Street, Philadelphia 3, Pa.

Cleveland Cliffs Iron Company — Memorandum — Goodbody & Co., 115 Broadway, New York 6, N. Y.

Also available is a memorandum on **Portsmouth Steel Corporation.**

Dee Stores—Circular—Henry P. Rosenfeld Co., 37 Wall Street, New York 6, N. Y.

Detroit Aluminum & Brass Corporation — Statistical memorandum — Baker, Simonds & Co., Buhl Building, Detroit 26, Mich.

Domestic Credit Corporation — Memorandum — Smith, Burris &

(Continued on page 47)

British Resent U. S. Pressure for Sterling Devaluation

By PAUL EINZIG

LONDON, ENG.—There is evidence of growing resentment in the British press, and of growing concern in British official circles, owing to what is described here as American efforts to force Britain to devalue sterling. These efforts consist of a series of public statements by official or authoritative American quarters about the need for a devaluation of the currencies of countries in receipt of ERP aid. Sterling is not specifically mentioned, but, seeing that the lira and the French franc have already been devalued, it is obvious that the statements aim primarily at sterling. This, at any rate, is the popular interpretation.

Dr. Paul Einzig

There can be no doubt that such statements go a long way towards undermining confidence in sterling. For they convey the impression that it is the official policy of the United States Government to press the British Government to devalue sterling whether it considers this necessary or not. And since it is generally assumed that in existing conditions the British Government can ill afford to disregard insistent demands of that kind if they come from Washington, it is widely believed that sooner or later London will yield to the pressure.

The effects of the anticipation of a devaluation thus aroused by the American statements are manifold.

(1) It tends to depreciate the pound in free markets and black markets. This again aggravates the detrimental effect of the existence of a wide discount on the unofficial rate. It also tends to increase the turnover in the black markets.

(2) It tends to induce many Britons to take advantage of the many loopholes in the exchange restrictions and send capital out of the country and out of the sterling area.

(3) It deters foreign countries from accepting sterling in payment for temporary export surpluses on their trade with Britain. As a result the British balance of payments difficulties tends to become aggravated.

(4) Foreign importers prefer to hold back their orders for British goods, in the hope of being able to buy cheaper after the devaluation of sterling.

(5) Many Britons are induced to hedge against a devaluation of sterling by buying real property, jewelry, and any kinds of commodities that are obtainable. This tends to cause a further increase of prices.

It is assumed here that official circles in Washington are fully aware of the above facts. In fact, even though the British Government did not make formal representations in Washington, it is believed that British officials in contact with their American opposite numbers did draw attention to the embarrassment caused by the American statements. An article published recently by Mr. Walter Lippmann in the "Herald-Tribune" seems to indicate that well-informed American circles realize the mischievous effects of the public discussion of such a subject. Why, then, it is asked, is the United States Government pursuing this strange course of open financial diplomacy? The question of a devaluation of the pound is a matter that should be discussed behind closed doors.

Rightly or wrongly the impression is gaining ground in London that the publicity of the American demand for a devaluation of sterling aims at forcing the British Government's hand. But this end could only be achieved at the cost of aggravating deliberately the economic difficulties of Britain. At a moment when Britain's recovery is of vital importance from the point of view of the economic and political stability of Western Europe, such a policy would entail very grave risks.

British official circles are as firmly convinced as ever that there is no need for a devaluation of sterling, and that a devaluation would do more harm than good. Apart from anything else, it would nullify the effects of the official policy aiming at stabilizing wages and prices, policy which is at last making some progress. It is argued in London that British prices are much lower than American prices, and that sterling is, if anything, undervalued in relation to the dollar rather than over-valued. To this argument the American answer is that the British price level is purely artificial, owing to the existence of large food subsidies which keeps costs and prices below their natural level; and that should the subsidies be removed and prices allowed to find their normal level, they would be much higher than American prices.

Be that as it may, it is widely agreed that the removal of food subsidies would be impracticable at the present stage. Even though the Conservative Opposition demands it, in all probability a Conservative Government would be as reluctant to initiate a vicious spiral of rising prices, wages and costs as the Socialist Government is. Apart from anything else, the country could not afford a series of strikes which would be inevitable if prices started rising rapidly. The coal and steel output is creeping up gradually, and Britain's salvation depends on the continuance of this rise. A sharp relapse due to wages disputes would be a major disaster.

There is an impression here that American opinion is not adequately enlightened by the British information service in the United States about the strong case against a devaluation of sterling in existing circumstances. What is considered highly perplexing is the belief that has been voiced by some highly responsible American writers and eminent politicians, that Britain, by keeping up the value of sterling, secures some form of unjustified advantages. Nobody has ever explained what these alleged advantages consist of. On the contrary, if, acting on American advice, sterling were to be deliberately undervalued compared with its purchasing power parities, then American exporters would have a very obvious legitimate grievance against Britain on the ground that British exporters are enabled by the low exchange value of the pound to cut their prices. No doubt the interests affected would then find influential spokesmen in the American Press and Congress to voice their grievance.

Pennsylvania Brevities

The Commonwealth Beckons Industry

The Department of Commerce, Commonwealth of Pennsylvania, pointing with pride to the almost $2,000,000,000 of expansion and modernization programs now underway in the state, has issued a booklet, "Highlights of Pennsylvania's Current Sensational Industrial Growth," briefly setting forth the activities and plans of some of the larger corporations.

Among those discussed are General Electric, Curtis Publishing, Crucible Steel, Philco, Koppers Company, Pennsylvania Power & Light, Westinghouse, Radio Corp., Allis Chalmers, Owens-Corning, Aluminum Co., Pittsburgh Plate and Sylvania Electric.

An interesting reference is made to the $27,000,000 aluminum plant built by the government during the war at Canonsburg, Penna., and declared surplus property in 1945. It was far too large for the peace time purposes of any one company. However, the enterprising citizens of the community were able to interest seven industrial organizations in dividing the facilities, thus affording employment to 2,700 and providing a stabilization of industry. The companies cooperating are: National Can, L. H. Smith, Radio Corp. of America, Continental Can, Pennsylvania Transformer Co., Diamond-Gerard Co. and National Metal Products Corp.

The booklet lists eight reasons why industrialists should consider locating plants in Pennsylvania.

(1) **Location:** Within a radius of 500 miles there are 69,000,000 people; 9,635,000 workers in manufacturing industries; 20,065,000 workers in non-agricultural jobs; $73,486,000,000 of net buying income and $49,039,000,000 of retail sales in 1946.

(2) **Pennsylvania leads in nine of the 11 basic raw materials needed for production:** Coal, coal tar, pig iron, ferro-alloys, sand, stone, cement, coke and slate. The variety of production is indicated by these "firsts" among the 50 industries in which Pennsylvania leads the nation: Steel, silk stockings, lace goods, industrial power, ice cream, rayon, electrical generating machinery and full-jewelled fine watches.

(3) **Sixty of the 100 largest manufacturing corporations in America have plants in Pennsylvania (the booklet lists them):** In addition to the 60 "blue chip" companies, over 17,000 manufacturers, large and small, are actively in business.

(4) **Pennsylvania workers are efficient workers.**

(5) **Unsurpassed transportation facilities speed products to market:** There are 11,476 miles of main railroad lines; 41,060 miles of improved roads and superhighways; 266 miles of navigable waterways that feed into the ocean ports of Philadelphia and Chester in the east; into the inland water system of the Mississippi through Pittsburgh, and into the Great Lakes at Erie.

(6) **Ample supplies of fuel and power:** Although Pennsylvania already ranks first in the production of power for industrial use, electric power companies are currently spending over $300,000,000 for increased facilities.

(7) **Favorable tax structure:** No state personal income tax; no state sales tax; no state personal property tax; no excess profits tax, and a merit rating system which saved Pennsylvania employers nearly $100,000,000 in 1945.

(8) **Unexcelled living conditions:** Pennsylvania has two of the ten largest cities in the country and more small cities and towns than any other state; more churches, more colleges and universities and one of the finest public school systems in the world.

* * *

Gulf Oil Corp.

PITTSBURGH — Last week stockholders of Gulf Oil Corp. voted approval of a resolution to increase the company's authorized indebtedness from $200,000,000 to $400,000,000 and its authorized capital stock from $300,000,000 to $500,000,000.

J. F. Drake, President, told the meeting that it was not intended to make present use of the increased authorizations.

Earnings for the first quarter of 1948 were reported at $38,500,000, compared with $19,700,000 in the first 1947 quarter, the increase being due largely, Mr. Drake said, to increase in sales volume as well as a higher schedule of prices. Pointing out that the results for the first quarter of 1948 were "not good," Mr. Drake added that the remainder of 1948 cannot be expected to hold at the same rate of improvement. Results for April, however, showed a satisfactory increase over April a year ago.

* * *

Strike at Midvale

PHILADELPHIA — The steel plant of the Midvale Co. was closed May 26 by a strike of 2,300 employes, members of the Federal Labor Union (AFL).

Alex Dever, President of the union, said the strike followed a 10-cents-an-hour wage cut placed in effect for all employees.

A company spokesman stated that the dispute arose over a proposal by the company intended to readjust incentive pay rates in the machine shops and applying to a special group of low-skilled workers in the melting shops where present wages are considerably over going rates.

"The union refused to consider our proposal," he said. "The alternative left us was to find a way to spread the necessary reduction over our whole labor force. We do not believe this was the best solution, but it was the only way out."

* * *

John B. Stetson Co.

PHILADELPHIA — A special meeting of John B. Stetson Co. stockholders will be held July 12 to act upon a proposed financial program. Authorization will be sought for the creation of a loan of $3,000,000 with a 15-year maturity and an option of increasing the loan to $4,000,000 before June 30, 1949. Restrictions would provide that working capital be maintained at a minimum of $4,000,000 and that common stock dividends would be paid only if current assets at least are twice current liabilities. At the end of the 1947 fiscal year, Stetson had current assets of $11,397,830 against current liabilities of $4,462,717.

Proceeds of the $3,000,000 loan would liquidate a bank debt of $2,070,000 incurred in the acquisition of Mallory Hat Co. in 1946. Balance would be used for plant improvement and replacements.

"Two Will Get Us Ten"

PHILADELPHIA—The expected 25,000 visitors to the forthcoming Republican and Democratic national conventions will, it is anticipated, leave $10,000,000 in local cash registers. To insure this pleasurable return, merchants and leading citizens have contributed $500,000 to the two political parties. An additional $1,500,000 is being spent by the City of Philadelphia to provide convention facilities and in tidying up the premises. Hotels, restaurants and bars have pledged themselves not to jack prices.

It is expected that the housing situation will be acute, but accommodations are promised for all. More than 5,000 rooms in private homes and apartments wil be available to supplement hotel space.

* * *

50 Years With P. E.

Horace P. Liversidge, Chairman of the board of Philadelphia Electric Co., observed his 50th anniversary with the firm May 25.

Educated at Drexel Institute of Technology, Mr. Liversidge began his business career in 1898 as an inspector for Edison Electric Light Co., predecessor to Philadelphia Electric. In 1924, he was elected Vice-President of Philadelphia Electric and President in 1938. He was named Chairman of the board in 1947. He is a trustee of the Thomas Alva Edison Foundation and a director of the National Association of Electric Companies.

* * *

Brandon Barringer, Vice-President, Pennsylvania Company for Banking & Trusts, has been elected a director of Curtis Publishing Co., succeeding John A. Diemand, President, Insurance Company of North America, resigned.

* * *

Penn Mutual Life Insurance Co. announces the appointment of Reuben S. Kilpatrick, as Assistant Treasurer and of C. H. Butler as assistant to the Treasurer.

* * *

M. W. Clement, President of Pennsylvania R.R., C. Jared Ingersoll, President of Muskogee Company, and Harry B. Higgins, President, Pittsburgh Plate Glass Co., have been reelected directors of Pennsylvania R.R.

The Chilton Company

Earnings of the Chilton Company, publishers of "Iron Age" and other nationally-known trade publications should reflect the benefits of the expansion program initiated in the latter part of 1946 and recently completed.

A new building was erected to house new modern equipment which will increase sales volume and reduce operating expenses.

Funds for these additions were provided entirely from earnings and leaves the Company with no debt or other obligations senior to the 410,000 shares of outstanding common stock.

Ward Gruver Partners With W. E. Burnet Co.

Effective June 30 the Stock Exchange firm of Ward, Gruver & Co. will be dissolved and on July 1, Sidney F. Ward, member of the Exchange, Esdras L. Gruver, and William W. Kennedy will be admitted to partnership in W. E. Burnet & Co., 11 Wall Street, members of the New York Stock and Curb Exchanges.

Reynolds & Co. Uses Commercial Television

Stock Exchange firm in its Philadelphia office telecasts 15 weekly programs, comprising series of talks by prominent industrialists.

George K. Dorsey, Resident Co-Manager of Reynolds & Co., Philadelphia office, members of the New York Stock Exchange, reports that the firm is the first Stock Exchange house to use commercial television. The program started Feb. 10, 1948 and 15 weekly programs were telecast over Station WPTZ up to May 24. Commenting on the program, Mr. Dorsey said:

"As far as we knew television had not been used by anyone remotely connected with our business. Because of the relative novelty, we thought it would be more effective than radio — in radio there have been some programs by other brokers and investment houses. We reasoned that though our audience would be comparatively small, at least half of it would be direct prospects for us. The majority of television receivers has gone to better-than-average income buyers and there is steady growth and continuing prospects for material growth in the other categories.

"Brokerage and investment firm advertising whether by letter, pamphlet, magazine, newspaper or even radio has very definitely been on the dry and stuffy side for the most part. There is, of course, a certain dignity and professional standing which our business has and which should not be violated and, of course, there are SEC laws and NASD rules which must be met so that care has to be used in what we write or say. The first step indeed in connection with television was to obtain the approval of the New York Stock Exchange, which requested and received a transcript of each telecast.

"We conceived an informal panel discussion method featuring men of prominence in the Philadelphia area and while at some future date we may change the scope, we have not seen fit to go out of the Philadelphia zone. Admittedly, this format lacks the entertainment value of many programs, but we are constantly seeking to include entertainment value without too much sacrifice of level and tone. For instance, in one of the programs, when our guest was Robert V. White, President of Lehigh Coal & Navigation, the injection of the Panther Valley Miners Octette with a lively song added a novel entertainment feature.

"Our policy, of course, has been to keep Reynolds & Co. in the background and let our guest play up his personal interests or company in whatever way he liked with suggestions from our side from time to time. In the series starting with the first one, we have had men of the caliber of the outgoing President of the Philadelphia Chamber of Commerce, Clarence Tolan; Water D. Fuller, President, Curtis Publishing Company; Arthur Kaufmann, Executive Head of Gimbel Brothers; John Ballantyne, President, Philco Corporation; Mark Willcox, President, Beneficial Saving Fund Society; John A. Stevenson, President, Penn Mutual Life Insurance Co.; R. V. White, President, Lehigh Coal & Navigation Co.; John McShain of John McShain Inc. and Chairman of Phila. Zoning Board; William F. Kurtz, President, Pennsylvania Co. for Banking & Trusts; F. J. Chesterman, President, Bell Telephone Co. of Pennsylvania; Martin W. Clement, President, Pennsylvania RR.; Charles E. Ebert, President, Philadelphia Transportation Co.; Revelle W. Brown, President, Reading Company; R. R. Monroe, President, ACF-Brill Motors Company; William L. Batt, President, S.K.F. Industries, Inc.

"One of the expectations we had, of course, was that the individual companies would publicize the telecast to their own employees through their house organs or some other way and certainly we feel that if any company official or employee is approached by one of our men, he will be likely to get a much better than a 'cold' call reception.

"We have enjoyed the publicity of favorable reviews in such trade magazines as "Variety" and "Billboard," and Standard & Poor's Corp. publicized the program in advertising that they circulated among security dealers. Likewise, favorable mention of the telecasts appeared in the "Investment Dealers Digest." We do a business with dealers as well as with institutions and individuals, so that type of promotion through our trade is of value. We have had numerous favorable comments from people within and outside our business on our progressiveness in sponsoring this television series. I think we have had a benefit also in stimulation within our own organization, for any advertising we do, of course, is and should be helpful to all our men.

"The least I can say is that we are quite pleased with the reaction and results to date and feel that we have obtained good value for our money in televising 'Leaders in Industry' on Philco television station WPTZ."

Pittsburgh Bond Club Annual Spring Outing

PITTSBURGH, PA. — E. O. Dorbritz, Moore, Leonard & Lynch, President of the Bond Club of Pittsburgh, has announced that plans have been completed for the annual Spring Outing of the Club. The outing will be held at the Chartiers Country Club on Friday, June 11, 1948. As usual, one of the main events will be the Golf Tournament and the competition for the Bankers Cup and other prizes. The outdoor bowling game of La Bocci continues to be very popular and a La Bocci tournament will be a feature of this outing. A novel event for the benefit of anglers will be a fly casting contest. Prizes will be awarded to the winner of all the sports events. At 7:30 p.m. there will be a dinner in the club house to be followed by a program of entertainment.

G. Clifford Bodell of Young & Co. is General Chairman of the outing. Chairmen of the Sub-Committees are: Golf—Charles N. Fisher of Singer, Deane & Scribner; La Bocci—Robert L. Johnston of McKelvy & Co.; Fly Casting—Louis R. Schmertz, Jr. of R. C. Schmertz & Co.; Dinner and Entertainment—George H. Kingsley, Jr. of Singer, Deane & Scribner; Prizes—Paul V. Lane of S. K. Cunningham & Co., Inc. A number of visitors from other cities are expected to be present at this outing.

Standard Inv. Co. of Calif.

PASADENA, CALIF. — James H. Logan is engaging in the investment business from offices at 117 East Colorado Street, under the firm name of Standard Investment Co. of California. He was formerly with First California Company and Hill Richards & Co.

With Buckley Bros. On Coast

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, CALIF.—Clifton R. Hubbard has joined the staff of Buckley Brothers, Farmers & Merchants Bank Building. In the past he was with W. Mel Wilson & Co.

COMING EVENTS

In Investment Field

June 4, 1948 (Buffalo, N. Y.)
Bond Club of Buffalo Annual Outing at Cherry Hill Country Club, Ridgeway, Ontario.

June 4, 1948 (Chicago, Ill.)
Bond Club of Chicago field day at Knollwood.

June 4, 1948 (Cincinnati, Ohio)
Municipal Bond Dealers Group of Cincinnati Annual Spring Party at the Kenwood Country Club.

June 4, 1948 (Connecticut)
Security Traders Association of Connecticut Outing at Avon Country Club.

June 4, 1948 (Los Angeles, Calif.)
Bond Club of Los Angeles first annual field day at the Bel-Air Country Club.

June 4, 1948 (New York City)
Bond Club of New York Annual Field Day at the Sleepy Hollow Country Club, Scarborough, N. Y.

June 4, 1948 (Philadelphia, Pa.)
Bond Club of Philadelphia Annual Field Day at the Philadelphia Country Club.

June 10, 1948 (Minneapolis, Minn.)
Twin City Bond Club 27 Annual Golf Tournament and Picnic at the White Bear Yacht Club.

June 11, 1948 (Atlanta, Ga.)
Georgia Security Dealers Association annual outing and dinner at the Druid Hills Golf Club.

June 11, 1948 (Baltimore, Md.)
Bond Club of Baltimore annual outing at the Elkridge Kennels.

June 11-12-13, 1948 (Los Angeles)
Security Traders Association of Los Angeles Annual Spring party at Arrowhead Lodge.

June 11, 1948 (New Jersey)
Bond Club of New Jersey Annual Field Day at the Montclair Golf Club.

June 11, 1948 (New York City)
Corporation Bond Traders Club of New York Spring Outing and Dinner at the Wingfoot Golf Club, Mamaroneck, N. Y.

June 11, 1948 (Pittsburgh, Pa.)
Bond Club of Pittsburgh Annual Spring Outing at the Chartiers Country Club.

June 12, 1948 (Chicago, Ill.)
Bond Traders Club of Chicago Annual Golf Party at the Acacia Country Club.

June 12-16, 1948 (Canada)
Investment Dealers Association of Canada 32nd Annual Meeting at Manoir Richelieu, Murray Bay.

June 14, 1948 (New York City)
Municipal Forum of New York annual election.

June 15, 1948 (Detroit, Mich.)
Bond Club of Detroit Summer Golf Party at the Plum Hollow Golf Club.

June 17, 1948 (St. Louis, Mo.)
St. Louis Municipal Dealers Annual Outing at the Norwood Hills Country Club.

June 18, 1948 (Boston, Mass.)
Municipal Bond Club of Boston annual outing at the Country Club, Concord, Mass. To be preceded by parties at the Hotel Statler on the evenings of June 16 and 17 from 9:30 p.m. until midnight.

June 18, 1948 (Philadelphia, Pa.)
Philadelphia Securities Association annual outing at Llanerch Country Club, Llanerch, Pa.

June 21, 1948 (Omaha, Neb.)
Nebraska Investment Bankers Association annual frolic and Field Day at the Omaha Country Club.

June 22, 1948 (Boston, Mass.)
Boston Security Traders Association 29th Annual Outing at Woodland Golf Club.

June 25, 1948 (Cleveland, Ohio)
Bond Club of Cleveland spring outing at Country Club.

June 25, 1948 (New York City)
Municipal Bond Club of New York Annual Meeting at Sleepy Hollow Country Club, Scarborough-on-Hudson, N. Y.

June 29, 1948 (New York City)
New York Stock Exchange Golf Association 49th annual golf tournament at the Winged Foot Golf Club, Mamaroneck, N. Y.

July 9, 1948 (Cleveland, Ohio)
Cleveland Security Traders Association summer outing.

July 9, 1948 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia Annual Summer Outing at the Tavistock Country Club, Haddonfield, N. J.

July 16, 1948 (Toledo, Ohio)
Bond Club of Toledo annual outing at the Inverness Country Club.

July 19-22, 1948 (Portland, Oreg.)
Annual Convention of National Association of Securities Administrators at the Multnomah Hotel.

Nov. 15-18, 1948 (Dallas, Tex.)
National Security Traders Association Convention.

Henry T. Mathews With Doyle, O'Connor & Co.

CHICAGO, ILL.—Doyle, O'Connor & Co., Inc., 135 South LaSalle Street, announce that Henry T. Mathews has become associated with them.


Henry T. Mathews

Mr. Mathews has been in the business on LaSalle Street since 1922, having headed his own firm, Henry T. Mathews & Co., from 1933 to 1937. He has been with Kneeland & Co. for the past several years and is a director of the American Furniture Mart Bldg. Corp.

With Halbert Hargrove & Co.

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, CALIF.—Smith B. Davis is now with Halbert, Hargrove & Co., First National Bank Building. He was previously with C. E. Abbett & Co.

Joins J. Barth Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—John A. Lundigan has become affiliated with J. Barth & Co., 210 West Seventh Street. He was previously with Edgerton, Wykoff & Co.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week—Insurance Stocks

According to compilations by Alfred M. Best Co., Inc., total net premium writings of stock fire insurance companies in 1947 exceeded $2,000,000,000 for the first time in history, and were greater than the 1946 total by 24.9%, and the 1945 total by 67.3%.

The comparative totals of premium volume, classified according to lines, for the years 1945, 1946 and 1947 is as follows:

TABLE I

	1945 ($000)	1946 ($000)	Increase %	1947 ($000)	Increase Over 1946 %	Increase Over 1945 %
Fire	662,590	876,554	32.3	1,010,155	15.2	52.5
Ocean Marine	118,008	119,087	0.9	167,924	41.0	42.3
Motor Vehicle	170,422	267,676	57.1	428,945	60.2	151.7
Inland Marine	112,493	147,576	31.2	168,695	14.3	50.0
Extended Coverage	98,787	153,479	55.4	179,210	16.8	81.4
Tornado	17,455	17,399	—0.3	16,165	—7.1	—7.4
Hail	30,566	32,834	7.4	42,599	29.7	39.4
Riot	3,481	5,064	45.5	4,097	—19.1	17.7
Aircraft	4,724	9,959	110.8	10,094	1.4	113.7
Sprinkler	4,388	5,612	27.9	6,617	17.9	50.8
Earthquake	2,060	3,339	62.1	3,811	14.1	85.0
All others	1,051	4,020	282.5	13,293	230.7	1,164.8
TOTALS	1,226,025	1,642,599	34.0	2,051,605	24.9	67.3

Although the total dollar increase of 1947 over 1946 ($409,003,-000) was little less than that of 1946 over 1945 ($416,474,000), the rate of increase was considerably less. This is strikingly so, it will be observed, in the lines of fire, inland marine, extended coverage and aircraft. On the other hand, the rate of increase was greater in ocean marine, motor vehicle and hail.

In the order of importance, as measured by volume, fire coverage ranks first, followed by motor vehicle, extended coverage, inland marine and ocean marine.

It may be of interest to compare the figures of a selection of representative stock fire insurance companies, one with the other, and with the industry totals. In this table, however, no segregation of the various lines is given:

TABLE II

	Net Premiums Written 1945 ($000)	Net Premiums Written 1946 ($000)	Increase %	Net Premiums Written 1947 ($000)	Incr. Over 1946 %	Incr. Over 1945 %	Dec. 31, 1947 Ratio Cap. Funds to Net Premiums
Aetna Insurance	36,454	46,369	27.2	53,889	16.2	47.8	0.66
Agricultural Insur.	9,015	12,808	42.1	12,972	1.3	43.9	0.47
Boston Insurance	7,194	9,837	36.7	14,144	43.8	96.6	1.20
Continental Insur.	31,836	37,220	16.9	50,984	37.0	60.1	2.14
Fidelity-Phenix	25,370	30,251	19.2	41,959	38.7	65.4	2.14
Fire Association	11,370	16,451	44.7	18,382	11.7	61.7	0.65
Firemen's Fund	36,187	41,314	14.2	54,039	30.8	49.3	0.79
Franklin Fire	9,415	12,757	35.5	15,270	19.7	62.2	0.71
Great American	21,303	29,204	37.1	36,541	25.1	71.5	1.06
Hanover Fire	9,773	13,871	41.9	17,497	26.2	79.0	0.61
Hartford Fire	61,267	81,135	32.4	101,206	24.7	65.2	0.96
Home Insurance	74,539	95,039	27.5	114,750	20.7	53.9	0.58
Ins. Co. No. Amer.	42,736	49,708	16.3	77,622	56.2	81.6	1.57
New York Fire	4,923	5,543	12.6	4,872	—12.1	—1.0	0.70
North River	9,083	11,632	28.1	14,112	21.3	55.4	1.32
Phoenix Insurance	14,113	19,108	35.4	24,557	28.5	74.0	2.22
Prov. Washington	10,041	13,835	37.8	19,301	39.5	92.2	0.63
St. Paul F. & M.	21,902	27,714	26.5	38,692	39.6	76.7	1.06
Security Insurance	7,514	10,318	37.3	11,268	9.2	50.0	0.56
Springfield F. & M.	22,377	28,502	27.4	32,776	15.0	46.5	0.73
U. S. Fire	15,405	19,777	28.4	22,097	11.7	43.4	1.27
AVERAGE			29.8		24.0	60.7	1.05

The average two-year increase of premium volume of the 21 companies listed is 60.7%. Above average increases were made by: Boston, Fidelity-Phenix, Fire Association, Franklin, Great American, Hanover, Hartford, Insurance of North America, Phoenix, Providence Washington, and St. Paul Fire & Marine.

New York Fire reports a shrinkage in volume since 1945, the only company in the list. A number of companies show a slow-up in the rate of increase during the second year of the two-year period, for example: Aetna, Agricultural, Fire Association, Home, Security, etc. On the other hand, several companies show the reverse, such as: Boston, Continental, Insurance of North America, and others.

The last column in Table II shows the ratio of capital and surplus (policyholders' surplus) as of Dec. 31, 1947 to net premiums written during the year 1947. The average shows $1.05 per $1.00 of premium volume. On the assumption that it is sound practice not to permit the ratio to drop much below one, quite a number of companies in this list should be candidates for enlarged capitalization in order to expand premium volume. On the other hand, this ratio of dollar for dollar is considered by many as needlessly conservative. Certainly many of the old line companies must deem it so to judge by such ratios as 0.47 for Agricultural, 0.61 for Hanover, 0.56 for Security of New Haven, to cite but a few. It is significant, though, that Agricultural only expanded its writings in 1947 above 1946 by 1.3%.

Such companies as Continental, Fidelity-Phenix, Insurance Co. of North America and Phoenix have sufficient capital to support a far greater volume of business than they now write. There is no lack of capital funds with these companies, but, relatively speaking, they lag in premium volume.

Capital increases were made during 1947 by three of the companies listed, viz: Aetna, Providence Washington and Springfield Fire & Marine.

Nebraska Inv. Bankers To Hold Annual Frolic

OMAHA, NEB.—The Nebraska Investment Bankers' Association will hold their annual Frolic and Field Day Tuesday, June 22, 1948, at the Omaha Country Club at Omaha, Nebraska. Cocktail party will be on the evening of June 21, 1948, at the Omaha Athletic Club. Harry R. Greenway, Greenway & Co., is Chairman.

The Income Statement—Problem Child of Accountancy

By EARLE C. KING*

Chief Accountant, Securities and Exchange Commission

Accounting official blames manner of issuing corporate income statements for public's confusion about corporate profits. Asserts conflicting business forecasts have accentuated variety of methods of setting aside reserves for future contingencies. Favors "all inclusive" type of income statement over "current operating performance" variety. Cites uncertainties in listing non-recurring items.

Emerson wrote that "By necessity, by proclivity, and by delight, we all quote." I hope you will bear with me in resorting unsparingly to quotation for, in the circumstances, I find it a necessity. In Accounting Research Bulletin No. 8, issued by the American Institute of Accountants Committee on Accounting Procedure in May, 1941, it was stated that "over the years it is plainly desirable that all costs, expenses, and losses of a business, other than those arising directly from its capital stock transactions, be charged against income." This same statement, in substance, appeared in Bulletins Nos. 23 and 32.

Earle C. King

In Bulletin No. 32, which was issued in December, 1947, it was also stated that:

"In dealing with the problem of selecting the most useful form of income statement, the danger of understatement or overstatement of income must be recognized. An important objective of income presentation should be the avoidance of any policy of income equalization. . . . The Committee is also mindful that the term 'net income' has been used indiscriminately and often without precise, and most certainly without uniform, definition in the financial press, investment services, annual reports, prospectuses, contracts relating to compensation of management, bond indentures, preferred stock dividend provisions, and in many other places."

And "In the committee's view, the above facts with respect to the income statement and the income which it displays, make it incumbent upon readers of financial statements to exercise great care at all times in drawing conclusions from them."

Differing Income Concepts

This bulletin stated further that:

"The question of what constitutes the most practically useful concept of income for the year is one on which there is much difference of opinion. On the one hand, net income is defined according to a strict proprietary concept by which it is presumed to be determined by the inclusion of all items affecting the net increase in proprietorship during the period except dividend distributions and capital transactions. The form of presentation which gives effect to this broad concept of net income has sometimes been designated the 'all-inclusive' income statement. On the other hand, a different concept places its principal emphasis upon the relationship of items to the operations, and to the year, excluding from the determination of net income any material extraordinary items which are not so related or which, if included, would impair the significance of net income so that misleading inferences might be drawn therefrom. This latter concept would require the income statement to be designated on what might be drawn therefrom. This latter concept would require the income statement to be designed on what might be called a 'current operating performance' basis, because its chief purpose is to aid those primarily interested in what a company was able to earn under the operating conditions of the period covered by the statement."

This bulletin was published in the January, 1948 "Journal of Accountancy" preceded by the following editorial comment:

"What figure should be reported as income? This bulletin states the opposing philosophies: all inclusive concept and current operating performance concept. It makes the presumption that all items of profit and loss recognized during the period should be reported in the income statement, and sets up criteria for possible exclusion from the statement of certain items."

In the same issue of the "Journal" the Institute's President, Mr. George D. Bailey, in an article entitled "The Increasing Significance of the Income Statement," stated, in part, that:

"The bulletin definitely rejects the all-inclusive statement wherein all items that have passed through the books during the year have to be treated in arriving at net income for the year, and accepts instead the principle that the net income shown must be as significant as possible of the operations of the business for the year. It places responsibility on the accounants and on the company for the determination of a figure of net income for the year."

Factors Affecting Net Income Must Be Changed

In contrast to the foregoing, the American Accounting Association in its statement of "Accounting Principles Underlying Corporate Financial Statements," issued in June, 1941, took the position that:

"The objective of the income principle is to develop a series of income statements which, for the life history of the corporation, will include all gains and losses. To this end the income statement for each fiscal period should show not only the items affecting current results, but also any adjustments for gains or losses which may not be regarded as strictly applicable to the operations of the current period, but which have nevertheless been first recognized in the accounts during the period. If net income is to have any meaning the factors influencing it must be isolated and given a distinct and unified expression. This is possible if all gains and losses are carried through a single medium to earned surplus. It is impossible if expense charges, losses or income credits may be carried directly to surplus or to surplus reserve. This comment does not apply to operating reserves created by means of carefully determined charges to current operating expenses.

"In view of the emphasis given to computations of earnings per share, and to other measures of corporate performance, a common yardstick is needed. The fact that it may not be possible to measure precisely at the end of any year all costs which have been acquired or dissipated during that year makes it essential to encompass within a single statement not only the best possible measure of income from ordinary operations, but also gains and losses from events not always associated with the transactions of a single year."

It is my understanding that this position remains unchanged in the Association's revised statement now under consideration.

Under the Securities Act of 1933 and the Securities Exchange Act of 1934 the responsibility rests squarely upon the Commission to prohibit the dissemination of financial statements in connection with the sale of securities or their registration on an exchange, if, in our opinion, they are erroneous or misleading. It follows that profit and loss or income statements filed with us must be in such form that there can be no doubt as to what the net profits or net income for the period covered by the statement are.

"All-Inclusive" Income Statement Favored

It is our position—and both my predecessor, Mr. William W. Werntz, and I have so stated publicly on several occasions—that the "all-inclusive" income statement more nearly accomplishes this purpose than does the "current operating performance" type of statement. In consequence, the Commission authorized me to advise the Institute that exception will be taken to financial statements filed with us which appear to be misleading, even though they reflect the application of Bulletin No. 32, and the Institute was so advised in my letter of Dec. 11, 1947, addressed to the Institute's director of research which appeared in full in the January, 1948, "Journal of Accountancy" immediately following the complete text of Bulletin 32.

It will be noted that our objection to Bulletin 32 was based not alone on its recommendation to exclude certain items from the determination of net income, but also upon the permission extended to commingle items so excluded with appropriations to general contingency and inventory reserves made from net income.

Such appropriations, as you know, have received considerable attention and have been the subject of much discussion not only within the accounting profession, but also in corporation reports to stockholders and in the press.

Accounting Research Bulletin No. 28, entitled "Accounting Treatment of General Purpose Contingency Reserves," which was issued by the American Institute of Accountants Committee on Accounting Procedure in July, 1947, contains the following statement:

"The Committee is therefore of the opinion that general contingency reserves, such as those created:

(a) for general undetermined contingencies, or

(b) for a wide variety of indefinite possible future losses, or

(c) without any specific purpose reasonably related to the operations for the current period, or

(d) in amounts not determined on the basis of any reasonable estimates of costs or losses,

are of such a nature that charges or credits relating to such re-

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*An address by Mr. King before New York State Society of Certified Public Accountants, New York City, May 10, 1948.

International Affairs and Effects

By A. W. ZELOMEK*

Economist, International Statistical Bureau and Fairchild Publications

Mr. Zelomek analyzes international political and economic conditions, and explains problems arising out of partitioning of Germany. Holds sooner or later we will have to reach an agreement with Russia on Germany or another major war is inevitable. Warns if Russia is allowed to set up Eastern German government, future German unification will be a bad risk for U. S. Holds November elections will mark important landmark economically as well as politically.

I am gratified that you have asked me to talk about international developments. Let me confess immediately that it is difficult to organize a talk of this sort. There is so much to be said. There is so much that is unknown. There is such a close connection between economic and political problems, and such a delicate balance in current affairs, that a simple explanation of what we are up against is difficult to find. I know this to be true, because my organization has published a "Foreign Letter" for many years.

A. W. Zelomek

There is also a human difficulty. Because these developments are so important, because they mean the difference between peace and war, we all feel strongly about them. It is hard to consider them with the detachment we apply to business problems, where no question of life and death is involved. It is even hard to get the same type of information about them as we can obtain about economic developments, since they frequently are the subject of propaganda, misrepresentation and secrecy. And it is hard to discuss them calmly, since there is frequently a sharp difference of opinion about means, even where there is a complete agreement about aims.

So I shall ask you to cooperate with me during the next half hour by pretending that we are a group of people visiting the earth briefly from another planet. We shall gain nothing if the earth solves its problems and shall lose nothing if it botches them. We have no responsibility, no convictions, no strong views, and no impulse to argue among ourselves about what this country or that country should do. We are able, for that reason, to give the earth's problems the disinterested interest that is so hard for the earth's inhabitants to achieve. We are accurately informed about the earth's past history. And since our visit is a brief one, we are willing to risk some over-simplification when the time comes to sum up our impressions. On those terms, here is the impression I believe such a group of unearthly visitors would get of our planet.

The Actors

The United States, Great Britain and Russia are the chief characters in this earthly drama. Their qualifications for the leading role differ widely.

Great Britain is an experienced old-timer, accustomed by experience to a prominent place on the world stage and eager to play the lead. But John Bull's age and infirmities are against him and the difficulties of his home life handicap his professional activities. He is on the down grade, but can still steal a scene if there is the slight-est opportunity.

The United States is a handsome juvenile, who has played mostly local engagements. Uncle Sam speaks well and has a considerable world following. But he is affected by stage fright, which sometimes causes him to stutter or emit double-talk. He is inexperienced, and some of the other actors find it easy to steal a scene from him, even when it is a scene that he should dominate. Moreover, he is a little homesick. He was forced into the big-time when local theaters were closed down during the war, but sometimes he thinks he might like to go back again and be a big frog in the little puddle back home.

Russia is a temperamental actor, under comparatively new management. A periodic attraction in some of the swankier theaters during the time of the Czars, Ivan has since played the poorer neighborhoods and the working class districts, cast mainly in propaganda and mystery plays. He has had quite a success in benefit performances when times were hard, but has been a flop before audiences that could pay their way in. He did play one heroic role during the war, when his manager was laid up with a bad case of German measles. Some of his earlier followers believe that his poor performances since that time are due partly to mismanagement. But everyone who has tried to do business with Ivan's manager reports that Ivan is bound by an ironclad contract, and that his manager is over-ambitious, unscrupulous and not to be trusted.

Each of these actors wants to get the upper hand. That would allow him to call the tune to which the others must dance. It would allow him to cast the others in a happy ending, or in a bitter tragedy. None of them can be sure of what will happen until he knows who has the lead.

This causes a lot of suspicion and fear. Uncle Sam, for example, wouldn't hurt a fly. If everyone would just follow his lead, there would be a happy ending for everyone. In fact, he would just as soon not have the lead at all. If he could be sure of what Ivan or John Bull would do with it, he would get out of the contest and go home.

But he isn't sure. In fact, he is more suspicious and fearful than he was a few years ago, when he made a deal with Ivan. John Bull had had the lead for a long, long time, when Sam and Ivan agreed to take it away from him and share it. Sam thought they could both relax then, but he soon found out that Ivan was lining up some of the lesser characters telling them that Sam would soon go home and that he, Ivan, would then be boss.

That made Sam mad. He decided he wouldn't go home for a while, and began to line up a few votes on his side. He was pretty well off at the time, so he made a thumping loan to old John Bull. Ivan countered by foreclosing a couple of mortgages he held, which brought two or three of the minor actors into his orbit; he even made a few offers to John Bull, who had just about run through his first loan by this time. Sam raised the ante, began to make outright gifts, and took a whole flock of minor actors under his financial wing. There was a considerable amount of name-calling and threatening gestures and it looked as if there was about to be a showdown.

And that just about brings our group of interplanetary visitors up to date on recent past history. There is a showdown coming, a whole series of them, some of them much more important than others. The first big one, and one of the most important of all of them is ahead in Germany.

Germany

Only two definite conclusions about Germany are possible at the moment, and both are negative. One is that its present status will not remain unchanged much longer. The other is that these first changes will not solve our long-term problem. Our present intention to create a Western German government will fail just as our original intention to ruralize Germany was a failure.

This plan to create a separate Western Germany is an expediency. We are attempting it because we must do something, and because at this stage we can think of nothing better to do. It is, I believe, easy to see what will happen. We must expect an immediate intensification of the cold war.

Russia will build up its zone of Germany as a potential war economy, with a German government and a German army, and will organize a powerful campaign of Western German resistance against American policies.

The United States will be forced to meet this competition by building up a competitive Western German economy. This will be very risky and costly, and we may have to revive forces that cannot be controlled.

The United States can reduce its heavy financial burden in Germany only by forcing the Western world to absorb huge masses of German industrial products. This would lose us more friends.

Economically, there would be marked competition between Eastern and Western Germany, in which the former would have many advantages. The Russian zone of Germany has been exploited fully by Russia, through dismantlement, removal of other assets, and requisition of current production. But a considerable labor force, including several million skilled laborers, remains. Many industrial facilities, which cannot be used elsewhere, have survived.

It is recognized that Western Germany has a totally inadequate agrarian base. It is not so generally recognized that Eastern Germany, the chief prewar agricultural area, was also an important industrial producer.

Western Germany will have the direct benefits of the Marshall Plan, but Eastern Germany would get some indirect benefits unless East-West barter trade were prohibited. This problem alone would create a dilemma.

If barter trade were allowed, Russian zones of Germany would be able to take advantage of the Russian control of Eastern and South-Eastern Europe. Russian trading agencies, already established, would become selling agencies for German industrial products and buying agencies for agrarian products and raw materials required by the West.

If barter trade were not allowed, there would quickly appear a surfeit of goods of the type Germany is now allowed to produce. The export-import agency in the Western zone is already encountering resistance to the considerable quantities of low-priced textiles it has been trying to sell. When foreign markets become saturated with other products, and output in other countries including Japan picks up, there would be these new problems: Either the production of heavy goods (potential munitions) would have to be stepped up. Or the political risk of further depressing the price of German labor would have to be accepted.

Under these conditions, I do not believe that a Western German state can be formed that will have any sort of long-term stability. Most German politicians and businessmen will consider such a state as transitional. They will not refuse the opportunities offered by

(Continued on page 39)

*Address by Mr. Zelomek before the Convention of the National Association of Purchasing Agents, New York City, June 2, 1948.

Railroad Securities

Generally speaking the roads in the northwestern section of the country have been making a pretty sorry showing so far in 1948 as compared with a year ago. For one thing, weather conditions in some sections of the area were the most severe on record during the first two months of the year. Some of the roads, notably Chicago, Milwaukee, St. Paul & Pacific and Chicago & North Western, were adversely affected by the bituminous coal strike in March and April. Finally, there has been a sharp decline in the movement of carry-over wheat from the spring wheat sections. For the country as a whole loadings of grain and grain products for the 20 weeks through May 15 declined 22.0% from year earlier levels. This was the largest decline for any commodity group with the exception of live stock which, influenced by the packing house strikes, dipped 24.5%.

Chicago & North Western has been particularly hard hit. Even under normal conditions the North Western has a very pronounced seasonal earnings trend, with little, if any, earning power for the first quarter and only modest earnings for the full first half of the year. On the average for the past 10 years the company has accumulated 73% of its net operating income in the four months July through October, and 92% in the full second half of the year. In this period another 9.6% of net operating income was accumulated in June, leaving a net operating deficit, on the average, for the five months through May.

Reflecting this seasonal pattern, aggravated by the number of specific adverse influences mentioned above, Chicago & North Western for the first four months of the current year reported a net operating deficit of $2,431,363. This was in sharp contrast to net operating income of $1,271,505 realized in the like 1947 interim when there was a substantial out of season movement of wheat and other grains. For the month of April, 1948 alone, the operating deficit was cut to $71,771 but this was still a far cry from the net operating income of $1,095,650 reported in April, 1947.

For the full year 1947 earnings on the North Western common amounted to only $0.66 a share, compared with $3.46 in 1946 and $11.69 in 1945. The year-to-year decline of $3,702,868 in net operating results for the four months through April is equivalent, without allowance for Federal income taxes, to approximately $4.50 a share of common stock outstanding. It is obvious, then, that very sharp year-to-year improvement in earnings will be necessary from here on if the company is to show any earnings at all available for its common stock in 1948.

Railroad analysts are generally of the opinion that this sharp improvement will be seen in early future months. For one thing, traffic comparisons have been showing up better. For the first two weeks of May loadings and receipts from connections were above a year ago, compared with declines of 2.1% in April and 4.1% for the 18 weeks through May 1. Starting in May, but not fully effective in that month, the company will be benefiting from the most recent emergency freight rate increase. Finally, comparisons will soon be with a period of heavy floods in 1947 which interfered with traffic and seriously hampered operations.

The Chicago & North Western common stock is a highly leveraged issue. Based on revenues in 1947 each 1% change in the road's operating ratio is equivalent, before Federal income taxes, to more than $2 a share on the stock. It obviously takes little in the way of increased operating efficiency or economies to change the earnings picture materially. Despite the poor start in the opening months of the year, it is currently being estimated that earnings on the common stock in 1948 will at least reach $5 a share. On the basis of past experience and considering the road's strong financial status and very conservative debt structure, such earnings should result in a fairly liberal dividend disbursement later in the year. Ever since its issuance in reorganization this stock has been one of the speculative favorites. Should earnings start to improve sharply, as is expected, the shares, which have been laggard, should again attract a considerable speculative following.

Budget Key to Inflation: Wolman

Columbia University Professor urges government practice more austerity if calamity of continuous inflation is to be avoided.

Contending that current labor policies and their effects are being unfolded in a setting of obvious and powerful inflation, Dr. Leo Wolman, Professor of Economics at Columbia University, told the National Association of Purchasing Agents in New York City on June 1, that unless policy makers in labor, business and government take heed of this, a serious error is being made and great harm will result to the nation.

Prof. Leo Wolman

"The causes of this inflation and its features are classic," Dr. Wolman pointed out. "They have repeated themselves over and over again in the world's history. There is nothing to distinguish this episode from its numerous predecessors. Not only is the inflation like all others, but what people say about it sounds suspiciously familiar. In the 1920's it was a new era, a new level of stock prices, a steady level of wholesale prices that lulled men into a feeling of false security. Today, again, it is a new level of prices, a new level of wages, which public policy and collective bargaining have rendered inviolate, and the complicated doctrine of full-employment that colors the thinking, plans and outlook of too many Americans.

"The causes of this state of affairs are as well-known as its manifestations. It is the result of war; of the methods of war financing, and postwar financial policies. It is promoted and reinforced by the great backlog of civilian demand which inevitably follows from the necessities of war production."

Referring to the relation of the National Budget to inflation, Dr. Wolman said:

"The center of all this is government spending. At the present time the budget of the Federal Government is the force which is acting to reinforce and perpetuate these powerful inflationary trends. To the extent that public spending rises with additional military appropriations, the program for foreign aid, and suggested extensions of Federal spending for social insurance, housing, and education, the more powerful and irresistible are these forces likely. They are, of course, aided and abetted by rising costs, as the average wage of factory employees starts moving from $1.30 to $1.40 an hour, and as man-hour output remains little more than it was in 1939.

"At this stage of an inflationary movement, the great risk is that cumulative influences will begin to make themselves felt. Large construction projects of business and local governments which were postponed because costs were too high and promised to be lower in the visible future may now be undertaken because costs may go still higher and the need for the postponed facilities become increasingly pressing.

"It is inconceivable that we are operating under conditions that will continue indefinitely in their present direction or under a permanently higher and ascending price level. That much we know. It would be nice also to know the time and the occasion of the turn. But on this there is no inside information. It is a safe guess that a government budget which prolongs and intensifies the expansion will make the break, when it does come, a great deal more unpleasant than it would otherwise have been and the ensuing adjustment a great deal more difficult.

"The many things that happen in this situation all hang together. The key to their behavior is the government's budget. It is at this point that steps must be taken to reduce the forces of inflation. It is no answer to say that military expenditures and foreign aid are obligatory. For, if this is so, then there is still a vast margin of expenditures and benefactions which, to avoid greater calamities later, must now be pared. This is the time when the agencies of government, new and old, should be required to practice austerity."

With E. M. Bradley Co.

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, CONN.—Gaston F. Balme has become associated with Edward M. Bradley & Co., Inc., 215 Church Street. In the past he conducted his own investment business in New York City.

With Herrick Waddell Co.

(Special to THE FINANCIAL CHRONICLE)

FT. MYERS, FLA.—John L. Grady is now affiliated with Herrick, Waddell & Reed, Inc.

Joins Gordon Graves Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA.—Harrell M. Fincher has become connected with Gordon Graves & Co., Shoreland Arcade Building.

With Bache in Miami Beach

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, FLA.—William F. Snowden has become associated with Bache & Co., 2809 Collins Avenue. He was formerly for many years with Merrill Lynch, Pierce, Fenner & Beane.

NSTA Notes

LETTER FROM PRESIDENT MOSLEY

R. Victor Mosley, Stroud & Co., Philadelphia, President of the NSTA has addressed the following letter to the members:

"It is a pleasure to write to you in face of an active and rising stock market. The new highs for the Dow-Jones averages . . . with gains as much as $3.78 in one day . . . make far better reading than what we have had for many months. The profit margin in our business is still too small but perhaps we will all be rewarded for our patience and optimism through the recent trying months.

R. Victor Mosley

"With our National Convention to be held in Dallas in November, the time is rapidly approaching when plans must be crystalized and it is not too early for each of you to give consideration to this matter. Your officers and various committees are well along in preparing for an outstanding trip and Convention and the indicated upsurge in the securities market could well result in 'SRO.'

"I would like to touch lightly on various matters concerning your Association. As reported our cash on hand as of Dec. 31, 1947 was $16,959.49 and as of this date approximates $16,232.96. Our membership now exceeds 3,700. We are, however, considering several prospective affiliates and the total membership may well show a substantial increase before the year end.

"The various committee chairmen are hard at work on their respective jobs and efforts will be intensified prior to the convention. The officers and executive council members have attended numerous functions during the winter months and in many instances will visit affiliates to attend 'Outings' and summer parties.

"A large delegation attended an outstanding dinner held on April 19, 1948 given by the Security Traders Association of New York and two days later, your National Association had one of its outstanding affairs of the year. A dinner was held for the Commissioners and Staff of the SEC at the Statler Hotel in Washington on Wednesday, April 21, 1948 and I am happy to tell you that in attendance were Commissioners McConnaughey, Hanrahan, McDonald, McEntire and 10 members of the SEC staff. In addition we had Paul Rowen, who has been nominated to fill the vacancy on the Commission but has not as yet been confirmed. An invitation was extended to all NSTA Officers, executive council members, past presidents of the NSTA and presidents of affiliates. Approximately 30 representatives of the National Association were in attendance. Your officers are convinced that beneficial results are accruing to the securities business through these efforts.

"Another approach was tried for the first time. Namely, a breakfast for various members of Congress. We have felt for a long time that closer relations are necessary and your officers are of the opinion that this scope of their activities can be greatly broadened. We were fortunate in having as one of our guests, Hon. Fred E. Busbey, Congressman from Illinois and an active member of our Association.

"On May 6, 1948, Congressman Busbey introduced a bill H. R. 6467 providing a change from $10,000 to $15,000 in the salaries of SEC Commissioners. It is the measured opinion of the NSTA officers that the various securities acts should either be repealed or intelligently administered and one of the primary needs for proper administration would be to attract well trained and capable commissioners. Mr. Busbey is to be congratulated for his prompt action and well merits the support of everyone in the securities business. I would strongly recommend that individual communications be addressed to your Congressmen and to Hon. Fred E. Busbey c/o of the Old House Building, House of Representatives, Washington, D. C. supporting his action.

"I want to thank each of you for the support afforded the local organization and I sincerely trust I will have the pleasure of seeing you on the "Convention Special" or in Dallas in November.

Very truly yours,
R. VICTOR MOSLEY, President."

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

In an elimination round of golf held at Tavistock Country Club last week, Investment Traders Association of Philadelphia selected team members to compete against Corporate Bond Traders of New York June 11 and against a STANY team in July.

The Philadelphia team will be: Russell Ergood, Stroud & Co.; Freeman Grant, Dolphin & Co.; Ned Phillips, Samuel K. Phillips & Co., and Tom Krug, Bioren & Co.

James B. McFarland, 3rd, H. M. Byllesby & Co., and Charles L. Wallingford, Harrison & Co., were named as alternates.

AD LIBBING

Your advertising committee at no time wishes any of our members or others who may read our notes to assume that we mean to resemble the man who got off on the wrong foot to step on someone's toes. The only thing we may do that might be resented in our reporting would be references we might make to the "record." We mean, naturally, our advertising results on our coming "Chronicle" Year Book as represented by our various affiliates. While speaking of advertising, we are pleased to inform you that the advertising rates in our coming Year Book will be the same as those for the regular weekly issues of the "Chronicle." In other words, the "Chronicle" does not raise the rates on the NSTA Year Book issue to take care of the liberal percentage of the gross receipts therefrom that it gives us.

We are now waiting for a few to respond to our correspondence before announcing our complete committee. Thereafter we feel certain we can incorporate some very interesting items in these notes.

Congratulations are now in order for John J. O'Kane, Jr., and

Philip Kullman who are celebrating their 27 years in partnership of John J. O'Kane, Jr. & Co., as of June 1, 1948. John as you know is President of STANY.

HAROLD B. SMITH, Chairman
Yearbook Committee, NSTA
Collin, Norton & Co.,
120 Broadway,
New York 5, N. Y.

CLEVELAND SECURITY TRADERS ASSOCIATION

The Cleveland Security Traders Association will hold their summer outing on July 9.

Boeschenstein Says Controls Will Create New Shortages

President of Owens-Corning Fiberglas Corp. and former Vice-Chairman of War Production Board, maintains controls would destroy incentive, decrease production, and provide alibis for producers who fail to serve customers.

Belief that reinstatement of government controls would serve only to intensify shortages was expressed by Harold Boeschenstein, President of Owens-Corning Fiberglas Corporation, in an address before the National Association of Purchasing Agents, in New York City on May 31.

H. Boeschenstein

Mr. Boeschenstein, who was the first administrator of the wartime Controlled Materials Plan and later Vice-Chairman of the War Production Board, asserted that controls can be justified only by unmeasurable demands such as may be brought by war, or in the case of strategic materials that must be conserved.

"The demands that now confront us," he said, "are measurable. We can weigh their impact with reasonable accuracy, and we can deal with their impact without broad controls.

"Controls can be no better than their administration. In the last analysis, government controls are administered by hundreds or thousands of ordinary men operating from a Washington bureau, men with no specialized knowledge of the problems with which they are dealing.

"Controls would destroy incentive, decrease production, provide alibis for producers who fail to serve their customers, and create 'criteria' by which bureaucrats decide how people are going to share shortages, instead of increasing the supply."

Mr. Boeschenstein stated his conviction that the European Recovery Program will not entail an increased drain on our economy in 1948, since aid given under the program will no more than replace other aid to Europe during the past year. It will not represent an increase in the total amount of aid, and it seems unlikely that our total 1948 exports will exceed our 1947 exports, he said. Pointing out that the effect of increased military spending will not be felt importantly for a good many months, except perhaps in a few lines, and that the spending will be spread over a considerable time, he gave it as his opinion that the net effect would not be immediately inflationary.

Noting that prices appear to be leveling off, he warned that unless production of goods increases at least to the same extent that the circulation of money is increased and credit is loosened, prices must go up.

"The ratio of wages-to-prices-to-production is out of balance," he observed, "and although most people with wartime savings plus higher wages have more dollars to spend, the volume of purchasable goods has not risen correspondingly. We have continued to increase pay and prices, but not production.

"Inevitably and eventually, the management opportunists who take advantage of this situation and price their goods at all the traffic will bear, may succeed only in pricing their goods out of the market, and the labor leaders who have little regard for ultimate consequences may succeed only in pricing workers out of jobs.

"I believe firmly in high wages," Mr. Boeschenstein said, "but I know that high real wages are possible only through high production. Rules and practices designed to limit production, well-named 'featherbedding', are a malignant and contagious disease that weakens the entire economic structure of our country and penalizes the opportunity of everyone to raise his standard of living. It can mean only unnecessary scarcity, high prices, waste, and lower real wages. Its appeal is to the slothfulness and the greed in human nature to get something for nothing. I do not believe there is any future in something for nothing.

"The obligation of labor to do an honest day's work," he said, "is linked to management's obligation to find cost-cutting economies through technology and process improvement and to exercise restraint in pricing."

Turning to the long-range view, Mr. Boeschenstein referred to the great increase in the birth rate that has occurred during the past seven years and that is continuing. As a result, he said, there will be many more children in the United States during the next ten years than ever before. Our population is expanding; so must our economy.

"Most of our facilities for children are based upon the prewar birth rates. They must be increased for the young of all age groups. This means more grade school, high school and college buildings, and more equipment for these buildings. It means more hospitals, community and recreation centers, churches. For the manufacturers of consumer products it means big markets for children's merchandise, for homes and home furnishings and other merchandise for young married people.

"For all of our expanding population, new roads must be built, and old ones improved. Utilities must expand. The need for new housing is certain to continue through many years, with ups and downs, but generally on a higher level than in the past. The same is true of many products that go with a young, vigorous and growing population."

To meet the challenge of progress, Mr. Boeschenstein said, we must recognize that doubt and uncertainty are permanent conditions. He urged that they be faced with fortitude and understanding, to rekindle the spirit of self-reliance upon which our country was built. By so doing we will set a pattern for others and we will force respect on the part of those nations whose ideology differs from our own and who judge us not by what we say but what we do.

Randolph Scott Joins A. W. Benkert & Co.

Randolph W. Scott has joined A. W. Benkert & Co. Inc., 70 Pine Street, New York City, as manager of the investment trust department. He was formerly manager of the syndicate department for E. W. Clucas & Company.

Philip R. Meyer With Frederic H. Hatch Co.

Philip R. Meyer has become associated with Frederic H. Hatch & Co. Inc., 63 Wall Street, New York City, in the firm's trading department.

Mr. Meyer was formerly an officer of Kugel, Stone & Co.

Tellier & Co., New Angle

A new twist in financial-product display advertising is appearing in leading New York papers. Tellier & Company, 42 Broadway, New York City, as underwriter, is placing prospectus-type ads on its $20,000,000 speculative offering of Playboy Motor Car Corporation common stock, while at the same time the Playboy company is running a display ad that announces a special New York showing of "The Nation's Newest Car Sensation." Albert Frank-Guenther Law, Inc., is the agency for both promotions.

Now Didrichsen & Co.

The firm name of F. VZ. Didrichsen & Co., 41 Broad Street, New York City, effective June 1, was changed to Didrichsen & Co. There have been no other changes in the firm.

Reserve Ratio for New York and Chicago Banks Again Raised 2%

Federal Reserve fixes rate at 24%. Rate was increased from 20% to 22% last February.

As a further step towards restraining inflationary expansion of bank credit, the Board of Governors of the Federal Reserve System ordered on June 1 an increase of 2%, effective June 11, in the reserve requirements of member banks in New York and Chicago, the two Central Reserve cities, bringing the legal reserve requirement to 24%. This is the second increase ordered by the Federal Reserve in the Central Reserve cities rates in less than six months, a previous order on Feb. 27, having also increased the ratio from 20% to 22%. Required bank reserves in other cities throughout the nation have long been at the maximum—20% for those classified as "reserve city banks" and 14% for those classified as "country banks." There has been a movement on foot to amend the Federal Reserve Act to require a uniform reserve ratio against deposits for all member banks, regardless of location.

The increased reserve requirements of New York and Chicago banks will mean an additional $400,000,000 and $100,000,000, respectively, to the cash sequestered in reserves, and thus reduce amount available for loans.

Richard T. Van Atter Now With A. C. Reid & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Richard T. Van Atter has become associated with Andrew C. Reid & Co., Guardian Building, members of the Detroit Stock Exchange. In the past he was manager of the investment department for R. C. O'Donnell & Co.

Herrick, Waddell Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Glenn D. Gerard of St. Joseph is now with Herrick, Waddell & Reed, Inc., 1012 Baltimore Avenue.

With John R. Schermer Co.

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, MICH.—Cornelius C. DeKoster has been added to the staff of John R. Schermer & Co., Grand Rapids National Bank Building.

W. E. Bell Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, NEB.—W. E. Bell & Co., Federal Securities Building, have added Leonard T. Waterman to their staff.

Joins Herrick Waddell Staff

(Special to THE FINANCIAL CHRONICLE)

NEBRASKA CITY, NEB.—C. Weimer West is with Herrick, Waddell & Reed, Inc. of New York.

With Frank Butchart Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ORE. — Bruce Schumann is with Frank Butchart & Co., American Bank Building. In the past he was with Hess & Butchart.

Frederick Aldrich Dead

Frederick Clement Aldrich, former President of the Chicago Stock Exchange, died at the age of 85 after a long illness. He had retired as an investment broker 15 years ago.

Miller & Dodge Admits

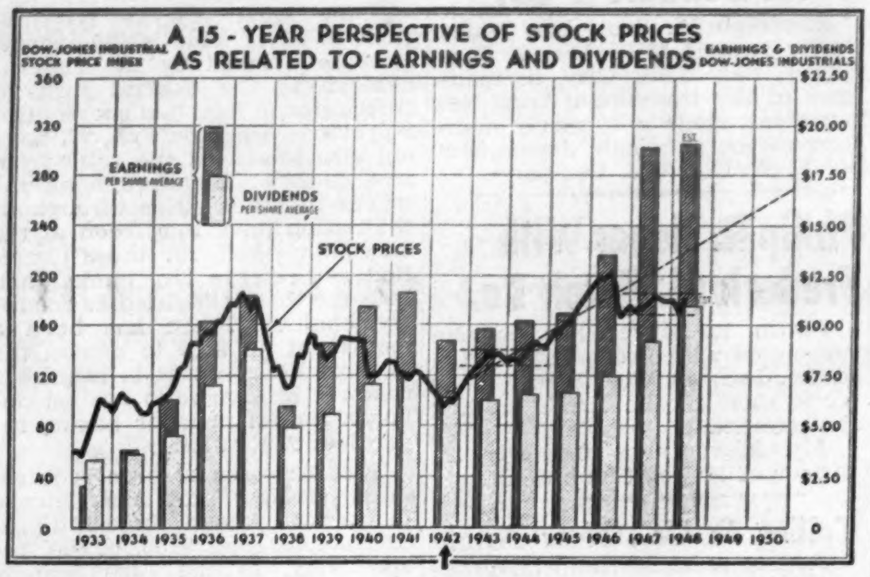
Miller & Dodge, 30 Broad Street, New York City, members of the New York Stock Exchange will admit Thelma J. Dodge to limited partnership on July 1.

Mutual Funds

By HENRY HUNT

Will History Repeat?

If history repeats, the rise in stock prices during the past three months should prove to be only the beginning of a major advance



in the stock market. The accompanying interesting chart prepared by *Distributors Group* indicates the following:

(1) That the only time in the last 15 years when stocks were as cheap in relation to earnings as they are today was at their 1942 lows.

(2) Were stocks today to sell at the same price-earnings ratios that they did in the middle '30s or in 1946, the "Dow" would be close to 300.

(3) Recovery of prices to only their trend line would mean a 40-point advance in the index.

(4) Excepting 1942, recent stock yields were the highest in the last 15 years.

(5) Stock prices are still below their '37 highs, although national income and industrial earnings are nearly double the '37 figure.

It may well be that a year or two from now, the stock market sceptics of today will say to themselves, "I wish that I had had sense enough to buy common stocks in 1948."

Wellington Reports

During the first quarter of the year **Wellington Fund** used about two-thirds of its large reserves in U. S. Government bonds and cash at the year-end to buy a diversified list of corporate bonds, preferred and common stocks. The preferred stocks were bought at depressed prices to yield more than they had in several years. Most of the common stocks and other appreciation securities were bought as the market declined in late January, February and early March, when the average yield on industrial commons was the highest in five years. As a result of these investment changes both common stocks and appreciation securities were substantially increased at the end of the first quarter. Investment bonds and preferreds were also increased. The changes in each class of security is shown in the table below.

As the stock market advanced in April and May, the Fund reduced common stocks and other investments to realize profits on securities considered to have fairly well discounted earnings and appreciation possibilities. Investments were made in more favored securities. These changes and those made earlier in the year realized net profits of $448,000, or about 14 cents per share.

The following schedule shows the results of these changes with the diversification of resources at the end of 1947, on March 31 and May 18, 1948:

	May 18, 1948	May 18, 1948	March 31, 1948	Dec. 31, 1947
Common Stocks	$25,442,428	44.88%	47.44%	41.27%
Appreciat'n Bonds & Pfds.	3,863,570	6.82	6.91	6.45
Convertible Seniors	2,791,355	4.92	7.44	5.46
Investment Bonds & Pfds.	16,453,052	29.02	28.46	18.70
U. S. Govt. Bonds and Cash	8,139,140	14.36	9.75	28.12
Total Resources	$56,689,545	100.00%	100.00%	100.00%

Some of the principal sales made since April 1 on which individual profits ranging from $20,000 to $55,000 were realized include the following: *Celanese Corp., Columbia Gas & Electric, Dow Chemical, *Electric Power & Light $6 preferred, *Gulf Oil, Monsanto Chemical $4 preferred, Panhandle Eastern Pipeline, *Phillips Petroleum, Public Service of Colorado, Southern Railway, Sperry Corp., Standard Oil of California, Standard Oil of Indiana and *United Aircraft. (*Represents reduction in holding.)

National Securities Funds Increase to $48,087,101

A call to every group participating in the American business system to continue to act more intelligently — not only on behalf of individual group interests — but toward the protection and further improvement of the very system through which all Americans benefit, highlights the annual report of **National Securities Series** just released to shareholders of the 21 mutual investment trusts funds.

H. J. Simonson, Jr.

In his message to shareholders, Henry J. Simonson, Jr., President of **National Securities & Research Corporation** (sponsor and investment manager of National Securities Series), points out that the more than 34,000 shareholders collectively are important participants, along with management, labor, government and customers, in the affairs of some 524 American business corporations, and thus comprise part of an important ingredient in the capitalistic free enterprise process.

Explaining that management, employees, stockholders and government secure their benefits of the business process through payments made by the customers of business, the report emphasizes that thereby when our business system prospers, everybody, including the customer, prospers. The report also shows how National Securities Series fits into the business picture and how important the American free way of life is to its shareholders.

The report for the fiscal year ended April 30, 1948, shows that total assets of National Securities Series increased from $40,486,578.58 on April 30, 1947 to $48,087,101.24 on April 30, 1948. Shares outstanding during the period increased from 7,778,977 to 9,091,374 and the number of shareholders increased from 30,024 to 34,606.

In its outlook for business and security prices, the report forecasts a high level of industrial activity throughout the year concluding with the statement: "Experience has demonstrated that security prices at times are influenced more by a predominant psychological attitude on the part of the investing public than by corporate earnings. While the outlook for earnings and dividends is decidedly good for the foreseeable future, it is also important that growing investor confidence continue over the longer term. As investor confidence grows, and there is now evidence of this," the report says, "stock prices may be expected to continue to advance. Thus we conclude that the outlook is generally favorable for the American investor."

Stating that women own over 48% of the outstanding shares of National Securities Series, the report's easy-to-read editorial section is designed to make clear the important influence women can exert in the fight against Communism and for the maintenance of our freedoms.

According to Mr. Simonson, the report is believed to be the first attempt on the part of any investment company to bring home to its thousands of shareholders the interrelationships between capital, labor and government and the importance to them and the nation as a whole of what happens to the private enterprise system.

In a statement released with the report, Mr. Simonson said: "Considering that open- and closed-end investment companies collectively have assets of about $2½ billion, owned by approximately one million shareholders, it is recognized that through the medium of annual and interim reports to shareholders, the investment companies, because of substantial ownership in business corporations through their portfolio holdings, can be a dynamic force in bringing about a realization on the part of the American investor that profit in business is dependent upon a proper correlation of all factors comprising our business system."

The National Securities Series report explains that business becomes a force for social and economic good for all Americans when all groups participating contribute the necessary ingredients for a prosperous American business and its resulting operations in the best public interest.

The cover of the report carries out the free enterprise theme with National Securities Series encircled by management, employees,

stockholders, government and customers.

One Man's Opinion

To those who believe that Russia is capable of turning the cold war with a fighting war, the following statements in the current "Readers Digest" by Henry J. Taylor, internationally known journalist and radio analyst, may be a surprise and a relief:

"(1) By the time Russia is producing atom bombs, the U. S. should have an atom bomb stockpile equal to 18 years of Soviet production.

"(2) Russia lacks many important strategic war materials including tungsten, molybdenum, tin, antimony and, most of all, rubber.

"(3) Should all go well in the Soviet Union—and not all is going well—by 1951 Russia would have the industrial capacity that we had in 1904!

"(4) Russia's railroad mileage today, despite her vast area, is comparable to ours in 1872.

"(5) Stalin's goal for oil production, an essential in modern warfare, is 60,000,000 tons a year by 1951. Last year we produced 270,000 000 tons."

Mr. Taylor believes that Russia does not want war and does not intend to have one, but that everything she says today is dedicated to cracking our economy by overstraining our American free enterprise system.

A "Dow" Expert Speaks

Thomas W. Phelps, of **Francis I. du Pont & Co.**, is one of the best known followers and interpreters of the Dow theory. In a recent bulletin he concludes:

"Now, all trends in the stock market point upward. To those who have not yet bought, market history says run, do not walk, to your favorite broker."

Notes

Assets of **Vance Sanders'** Boston Fund crossed $30,000,000 for the first time during April.

During the three months ended April 30, assets of **Investors Stock Fund** rose from $8,153,000 to $9,242,000.

Hugh W. Long has a new folder showing how dollar averaging has worked using Fundamental Investors.

National Securities & Research has issued a new bulletin on its "Oil Shares."

Frank Ginberg & Co. Opens in New York

Frank Ginberg, formerly an officer in charge of the Investment Research Department of Strauss Bros. Inc., announces the formation of Frank Ginberg & Co., 30 Broad St., New York City, to transact a general security business specializing in a trading service to dealers throughout the country. John R. Stein, formerly with Strauss Bros. Inc. and Ernst & Co., is associated with the firm in charge of the Trading Department. Formation of the new firm was previously reported in the "Financial Chronicle" of May 20.

Frank Ginberg

Firm Name Is Now Hautz & Engel

Frank T. Andrews having retired as a general partner of Hautz, Engel & Andrews, 57 William Street, New York City, members of the New York Curb Exchange, the firm name has been changed to Hautz & Engel.

Senate Group Approves Removing World Bank Bonds From SEC Control

In view of NASD objection to measure, it is admitted no action by Congress will be taken this session

On May 24, the Senate Committee on Banking and Currency approved the bill submitted by its Chairman, Senator Charles W. Tobey of N. H., to amend the Securities Act of 1934, and the National Bank Act so as to place the bonds of the International Bank for Reconstruction and Development in the caegory of state and municipal bonds, and thus exempt the bonds from registration with the Securities and Exchange Commission. According to a report by Senator Tobey, "the bill provides for the amendment of the Securities Act of 1933 and the Securities Exchange Act of 1934 to provide for the exemption from such acts of securities issued or guaranteed as to principal and interest by the International Bank of Reconstruction and Development (frequently referred to as the World Bank), and also for the amendment of the National Bank Act to permit national banks and State member banks of the Federal Reserve System to deal in and underwrite such securities, subject to certain prescribed limitations as to amount. The proposed legislation is necessary in order to remove certain technical difficulties imposed by those acts which seriously interfere with the International Bank's financing operations and thereby limit its effectiveness in carrying out the purposes for which it was established."

Hon. C. W. Tobey

As indicated elsewhere in this issue of "The Chronicle" action on Senator Tobey's bill, which had only one dissenting vote in the Senate Banking Committee, that of Republican Senator Bricker of Ohio, is not likely to be taken this session of Congress, because of the protest filed against it with both Senate and House Committees by the National Association of Securities Dealers.

Relation to the European Recovery Program

Continuing, the report says:

"The removal of the technical difficulties imposed by the Securities Acts and the National Bank Act will facilitate the International Bank's marketing operations in this country. Unless such marketing operations are successful, the International Bank's capacity for assisting in the financing of the recovery of Europe and reconstruction and development generally will be severely limited. The Report of the Senate Committee on Foreign Relations on the European Recovery Program (Rept. No. 935, 80th Cong., 2d sess., pp. 51, 52) has indicated that it expects the International Bank to be able to assist in some part of the financing of such program, particularly in its later years when more stable conditions exist in Europe and when long-range development projects can be properly financed on the basis of sound loans. While the loans which the International Bank may be able to make probably will not be large in relation to the entire European recovery program during at least the early stages of the program, nevertheless such loans may, of themselves, be very substantial, and they should serve to reduce the total amount which the U. S. Government would otherwise be called upon to provide. In the interest of both economy and effectiveness, therefore, it is most desirable that every reasonable effort be made to remove those technical marketing obstacles which presently interfere with the financing operations of the International Bank in this country."

Bond Club Golfers to Compete for Trophies

With three trophies at stake, more than 200 Wall Street bond men will tee off next Friday in the golf tournament which will feature the 24th annual Field Day of the Bond Club of New York at the Sleepy Hollow Country Club.

William M. Rex, Clark, Dodge & Co., chairman of the Field Day golf committee, announces that some of Wall Street's outstanding golf players will be on hand to compete for the Ex-President's Cup, which will be awarded for low gross, the Candee Cup, for low net, and the Christie Cup, for handicap match play against par. The trophies will be on exhibition this week in the display window at 14 Wall Street.

The tournament will be divided into three handicap classes: Class A, 0-12; Class B, 13-24; Class C, 25-30. Two golf courses at Sleepy Hollow will be available to accommodate the large number of players.

In addition to the three trophies, more than a dozen prizes in the form of gift certificates will be awarded to the players in the various classes.

Holcomb With Fairman

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Roy F. Holcomb is now with Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. He was formerly with Edgerton, Wykoff & Co.

E. F. Hutton Co. Adds

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Robert L. Collins has been added to the staff of E. F. Hutton & Co., 723 South Spring Stret.

NASD Protests Exemption of World Bank Bonds

Chairman of the Board of Governors, L. R. Billett, files statement with Senate and House committees stating matter deserves thorough investigation and consideration. Sees banks and trust companies monopolizing in World Bank direct and guaranteed issues.

Through its Chairman, L. R. Billett of Kebbon, McCormick & Co., Chicago investment bankers, the National Association of Securities Dealers, Inc. has filed both with the Senate Banking Committee and the House Committee on Interstate Commerce, as well as with the SEC, a statement protesting against immediate passage of the bill approved on May 24 by the Senate Banking Committee, which would exempt World Bonds, whether direct or guaranteed issues, from the registration requirements of the Securities and Exchange Commission and thereby permit commercial banks and trust companies to underwrite and deal in these obligations.

L. Raymond Billett

The NASD asserts it does not object so much to exempting the World Bank's own bonds from SEC jurisdiction, but does object to the same privilege for foreign corporate or government bonds that may be issued with the Bank's guarantee and thus permitting both national and Reserve banks to deal in them.

"While we understand," says the NASD statement, "that it is the intention of the present administrators of the International Bank not to sell publicly through banks and without registration under the Securities Act of 1933 issues of foreign corporations or foreign governments when guaranteed by the International Bank, the bills, by their terms, would permit this.

"Furthermore," adds the statement, "the administrators of the International Bank admit that if the bills were passed banks would not be bound to hold such securities and would be free to sell them as underwriters and distributors.

"The board of governors is frank to admit that in the short time the association has had to study the bill, all the implications and consequences thereof have not been thoroughly covered and thought out, but with the possible drastic implications of change of public policy involved, the board of governors believes the matter deserves thorough investigation and consideration."

Floyd A. Allen Adds Nongard and Walker

LOS ANGELES, CALIF.—Floyd A. Allen, President of Floyd A. Allen & Co., 650 South Grand Avenue, announced the association of two new executives. They are Conrad P. Nongard and Allen L. Walker, formerly of Chicago.

Mr. Nongard served as an executive for 23 years with the Harris Trust & Savings Banks in Chicago and later with the national investment firm of Paine, Webber, Jackson & Curtis in their Los Angeles office before accepting this new appointment with Floyd A. Allen.

Mr. Walker, experienced for 20 years in the security business was associated with Chicago underwriters and distributors. Excelling in both state and municipal financing, he is a member of the National Association of Security Traders.

The two men are another important step in Floyd A. Allen's extensive expansion program, initiated by his belief in this country's potential business future and in the rapid growth and business development of Southern California.

Before his start into the investment business in California 18 years ago, Mr. Allen served as assistant to the President of General Motors Corporation.

Joins Daniel Reeves Co.

(Special to The Financial Chronicle)

BEVERLY HILLS, CALIF.—Henry J. Tenaglia has become associated with Daniel Reeves & Co., 271 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges. He was previously with Fairman & Co.

Wilbur Blair Counsel Of Cleveland Reserve

CLEVELAND, OHIO—George C. Brainard, Chairman of the board of directors of the Federal Reserve Bank of Cleveland, has announced the appointment of Wilbur T. Blair as counsel of the bank. Mr. Blair will continue as Secretary of the bank, with the title of Counsel and Secretary.

Wilbur T. Blair

The law firm of Squire, Sanders and Dempsey will continue as outside counsel of the bank.

Mr. Blair became associated with the Federal Reserve Bank three years ago as assistant secretary and was promoted to secretary six months later. He formerly was connected with the law firm of Manchester, Ford, Bennett and Powers at Youngstown, Ohio, for about six years.

During the war, Mr. Blair performed legal and administrative duties for the War Department and was assigned to the Cleveland Ordnance District. He is a past President of the Youngstown Junior Chamber of Commerce and of the Ohio State Junior Chamber of Commerce. For the last eight years, he has been a member of the faculty of the Cleveland-Marshall Law School, where he conducts a class on contracts.

Mr. and Mrs. Blair and their three children reside at 3701 Traynham Road, Shaker Heights, Ohio.

Hendrix Elected Director

Stafford Hendrix, of Greenwich, Conn., associated with Adams, Keister & Co., 72 Wall Street, New York City, has been elected a member of the board of directors of the Mississippi Glass Co., manufacturers of several types of building glass. The company has plants in St. Louis, Missouri and Fullerton, Calif.

Securities Salesman's Corner

By JOHN DUTTON

When you go back 25 years or so and review the many ups and downs that have occurred in the investment markets, it is quite obvious that this is a feast or a famine business. There isn't much doubt about that. Then if you will remember some of the men whom you have known and who have made a financial success out of selling investment securities it is also obvious that most of these men had one outstanding trait in common—they were "doers." As far as the technique of selling is concerned there isn't very much more to selling stocks and bonds successfully than selling anything else. Of course, you have to learn a specialized business, but after that has been mastered the same principles of successful salesmanship apply as in any other business where merchandising must be accomplished in order to distribute a product.

This trait of being a "doer" has its basis in certain fundamental characteristics of an individual. Most men who do things well in the investment business are good planners. They organize their work. They arrange each day so that they produce the most with the least effort. They study a plan of campaign. If they don't find business by going after it in one way they use another. They think more than they work—but the kind of thinking they do is the most constructive and productive type of work. The execution of their plans is only the end result of solid and systematic thinking.

Then there is another attribute of character that comes in mighty handy in this business. You will find that the men who are "doers" have had some pretty lean days just the same as most of us. But they have been able to overcome discouragement. The men who have gone ahead in good years and bad are the fellows who have tossed their worries aside and redoubled their efforts when slow markets and investor indifference made the going tough. There is no doubt about it—there are times when it is difficult to interest security buyers in parting with their cash—but there is always a certain amount of business to be had even in depressions. We all know too that the best time to buy securities is when no one wants them. It's an old cliche that is repeated so often by almost everyone, yet only a few men in the securities business use this most compelling argument as an inducement to buy securities during such times. Those who do, reap a harvest of good will and future rewards when cash becomes less wary and markets revive.

Another thing I have noticed about the successful salesmen in the investment business whom I have known—and I am talking about those who have made money out of this business—they redouble their efforts when business is good. The man who makes a real financial success out of a feast or famine type of business is the fellow who harvests when the feast is on. If there is any time when it is intelligent to take it easy for a while, it is when business is slow, not when it is good. The salesman who has a couple of good months and then begins to take things easy is making a mistake that no man who knows anything about the history of this highly volatile profession of selling securities will ever commit. When people are in an investing frame of mind that is the time to get yours. If you don't you will be the one that will lose out in the end. (Someday, if we ever get sensible and equitable tax legislation, the government will recognize that security salesmen, dealers, brokers, etc., should be allowed to average their annual earnings over a stated period such as seven years, instead of chopping off our heads when we have one or two good years out of 10 and then giving no allowance for the inevitable lean years that are also always with us.)

So there it is—that is the way I have found it anyway. The men who have made a financial success selling securities first of all have had brains and they used them, they never became discouraged, and when business was good they worked twice as hard as when it was not. Once again investor psychology has turned and the public is interested in securities. The men who are going to make a success during the rest of the year will be the "doers"—it is always this way.

G. F. Cramer Heads Washington Bond Club

WASHINGTON, D. C.—Fenton Cramer, Ferris & Co., was elected President of the Bond Club of Washington at the annual field day at the Manor Club. Mr. Cramer succeeds Harvey B. Gram, Jr., of Johnston, Lemon & Co.

Other officers elected were William C. Coe, Mackall & Coe, Vice-President; Austin Rohrbaugh, Robinson Rohrbaugh & Lukens, Secretary-Treasurer; Edgar B. Rouse, Robert C. Jones & Co., and Millard F. West, Auchincloss, Parker & Redpath, Governors.

Dempsey-Tegeler Adds Bevan

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Dempsey-Tegeler & Co., 210 West Seventh Street, have added Arnold Bevan to their staff. Mr. Bevan was previously with Conrad, Bruce & Co.

Riter Adds Four to Staff

Riter & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, announce that Henry H. Williams, John A. Andresen, Henry G. Riter, IV, and John Y. G. Walker, Jr. are now associated with the firm as registered representatives.

Proposes New Scheme Of Construction Financing

Lee Thompson Smith, President of Lawyers Title Corporation of New York, would have large scale construction financed in same way as individual corporations, comprising sound bonds, preferred stock and speculative common stock.

In an address before the New York Building Congress, Inc., in New York City on May 19, Lee Thompson Smith, President of the Lawyers Title Corporation of New York, urged a change in the present methods of financing real estate through mortgage loans, and proposed in its place the plan used in industrial financing, i.e. financing through a combination of bonds, preferred stock and "speculative" common stock. Mr. Smith's statement of his plan follows:

Lee Thompson Smith

"I have an idea which I am suggesting and believe it will provide private developers the financing for large scale construction. It seems to me that real estate should shake off some of its feudal inhibitions, take a page out of the success story of modern industrial financing and go in for sound bonds, first preferred stock and speculative common stock. I am convinced that safe, popular and productive building financing can be arranged with an investment bond issue, secured by a first mortgage of not more than one-half of the value of the property. Any cautious investor would want these bonds for money that must be absolutely safe in every sense of the word.

Add to that 50% first mortgage a preferred stock issue to cover about one-quarter of the property value. This would offer a conservative high-yield participation of strong investment appeal. Finally, the top quarter of the promotion could be covered by common stock, reserved for the owners, managers and promoters of the project—these persons familiar with the enterprise and convinced of its great speculative attractiveness.

"Now, common stock means control. It is the voting stock. It means that if the owners wish to sell the property, they merely sell their stock. This common stock would not be 'watered stock' by a long shot. It represents one-quarter of the actual value of the property. It calls for all net earnings, after bond interest and preferred stock dividends have been met. It calls for the profit to be paid in common stock dividends.

"As you know, large operations require approval for any such set-up from the SEC. On a sound financial set-up there is no reason why the SEC would not grant approval. Such approval would be of definite value in assuring investors that here is something in real estate that, insofar as is humanly possible, can't go sour.

"The only way for the little man to stay in this swim would be through cooperative action. Stock participation has proven to be the greatest, most flexible, cooperative movement the world has ever known. It backs all socialistic schemes off the map.

"Furthermore, there may never be another time in history so opportune for modernizing real estate financing. Interest rates on conservative bond issues are down to their lowest point. Whereas 6% and sometimes 8% used to be considered a conservative return on first preferred stocks, such issues are being floated in Wall Street nowadays at half those rates. Real estate, in spite of all restrictions imposed upon it, remains among the most attractive investment propositions today.

"Of course I appreciate that there are 'bugs' in this suggestion, one of which probably occurs to you as I speak, being of importance: How to interest the public in purchasing these securities?

"The life insurance companies have a total of 75 million policyholders who expect a dividend and, whether they like it or not, they are definitely in the real estate business. There are over 7 million active depositors in the savings banks in this state with an average balance of over $1,200. They are also concerned about the interest they receive and though the investments by the savings banks in new construction have not been as great as the insurance companies', nevertheless everyone of these depositors is also in the real estate business. Taking the population figures shown by the census of 1940, 62% of the nation is either a policyholder in the insurance companies or a depositor in our state savings banks, or in both. Therefore, why is it not possible, with the propaganda facilities available today, to interest the public in this suggested form of investment?"

New Shields Branch In Houston Under Buck

HOUSTON, TEXAS—Shields & Co. announces the opening of an office in the Esperson Building, Houston, Texas, with James R. Buck as Resident Manager and Robert R. Harmon as Assistant Manager.

James R. Buck

It is one of the first offices to be established in Houston by a national underwriting house with membership in the New York Stock Exchange, the firm pointed out in making the announcement, citing it as a significant step in the financial growth and development of both the city and the Southwest. The principals of the new office have had previous financial experience in Texas. In 1924, Mr. Buck joined Charles W. Folds to organize Folds, Buck & Co. In the early 1940s he founded Buck & Co., a general securities business, in Houston. He had previously been associated with A. G. Becker & Co., where he organized the investment department in 1919, Halsey, Stuart & Co. and the bond department of the Harris Trust & Savings Bank in Chicago.

Mr. Harmon was formerly a resident of Dallas where he was associated with Rauscher, Pierce & Co. He has represented investment banking firms in Texas and the Southwest, including Brown Brothers Harriman & Co., Lazard Freres & Co. and, since the war, Shields & Co.

Other branch offices of Shields & Co. are in Chicago and Boston.

Purchasing Agents Report Business Optimism

Business Survey Committee indicates purchasing agents look for favorable business conditions throughout 1948, but reports buying policy remains predominantly on "hand-to-mouth" to 90 days basis for commitments.

A real tone of optimism is reflected in the reports of the Business Survey Committee of the National Association of Purchasing Agents for May, of which Robert C. Swanton, of Winchester Repeating Arms Co. is Chairman. Says the report: Backlogs of orders have increased again during this month, and the trend could carry them back to the February high level if conditions continue to improve.

Robert C. Swanton

May production is slightly off from April, showing effects of the coal strike which will continue to be felt for two or three months; also production interruptions caused by other work stoppages.

The definite action to promote business stabilization through price reductions; the firm stand being taken against excessive wage demands; the growing realization that aid to Europe and defense preparations cannot have much disturbing effect on general business this year, coupled with the continuing high rate of demand and production, indicate to the reporting Purchasing Agents that generally favorable business conditions may continue through the balance of 1948.

Commodity Prices

Industrial prices are steady, with a trend to stabilize. The token reduction made in steel prices is about balanced by freight rate increases. However, buyers expect these price reductions in steel and electrical items to be an effective brake on inflationary influences and believe the tendency will be slightly downward for the balance of the year, providing business can hold the line against higher wage demands and serious work stoppages.

Inventories

The over-all inventory picture remains about the same as the past few months. 52% report holding to safe operating minimums. A few, 4%, have higher stocks than in March and April. The reasons: production drops, the effects of coal and other strikes, delivery of materials which have been delayed by strikes, as affected operators come back into more normal production. Inventories continue to receive the selective attention required by the generally cautious buying policy.

Buying Policy

The forward commitment range remains predominantly "hand-to-mouth" to 90 days. 91%, the same as reported in April, are maintaining that position. Within that bracket, however, the movement has been away from the shorter term and into the 90-day category. A substantial increase in the number at that end of the bracket is reported. While more confidence in future business is expressed, comments run strongly to continued caution as more and more commodities become readily available and competition steadily increases.

Specific Commodity Changes

Coal led the list of price increases. Other important commodities reported up were of short range, many of them upward adjustment of freight rates. Increased were: Aluminum, alkalies, cyanides, concrete, coal, coke, drop forgings, storage batteries, hides, leather, lumber-mixed, menthol, paint, pigments, platinum, sand, shooks.

Decreases noted: Alcohol, brass ingot, copper fittings, cotton bags, corrugated paperboard, fats and oils, linseed oil, Southern pine, machined parts, magnetos, mercury, mersol, wastepaper, building paper, propane, resins, some shipping containers and cartons, soap, steel, tallow, turpentine, vegetable oils-mixed.

Hard to get: Aluminum, antifreeze, ammonia, cadmium, caustic soda, chromic acid, coal tar products, coke, conduit, copper pipe, lead, better quality hardwoods, nails, nickel, better grades of crude rubber, steel, rayon yarn, nylon, tin, zinc.

Easing in supply: Acetic acid, copper alloy tubing, copper and brass rod, small motors, fuel oil, glycerine, hand tools, grey iron castings, nitro fertilizers, oxalic acid, paint, paper, propane, rubber hose, shipping containers, tallow, tires, screw machine products, plastic mouldings.

Employment

In May the trend turned from March and April and is pointed up. There is still much reduced running time reported, caused by shortages in critical materials resulting from the coal strike cutback on production. The large strike in the automotive industry is being felt by parts suppliers, with consequent temporary layoffs. Overtime is disappearing in many industries.

Canada

General business is about the same as last month, steady. Production off a little, back orders diminishing, prices trending up, inventories holding even, employment easing, buying policy 90 days.

Federal Reserve Analyzes Consumer Finances

Reports in 1947, for first time since war, there was decline in number of spending units holding liquid assets and about $3 million had less savings bonds than year before. Foresees consumer expenditures for durable goods and houses growing.

The Federal Reserve Board has released a summary of the results of the 1948 Survey of Consumers Finances, conducted for the Board by the Survey Research Center, University of Michigan. According to the survey, consumer financial status was still strong but was weakening somewhat. Of the total number of 48.4 million consumer spending units, about 2.5 million more in 1947 than in 1946 had money incomes above $5,000, while about 2.5 million fewer consumer units had incomes below $3,000. For consumers as a whole there was a rise of more than 10% in total money income. Almost 50% of all spending units reported higher money incomes in 1947 than in 1946, but a considerable number of these consumer units felt that because of the higher cost of living they were worse off financially at the end of the year than at the beginning. About 30% of all spending units had substantially the same money income in 1947 as in 1946, and about 20% experienced income declines.

Total holdings of personal liquid assets (i.e., checking accounts, savings accounts, or government bonds) increased somewhat in 1947, although at a much slower rate than during the previous years. Consumer units at higher income levels held a relatively large share of the liquid assets but, as noted in the first two surveys, lower income groups continued to have sizable amounts of liquid resources to draw upon. In 1947, however, for the first time since the end of the war, there was some decline in the number of spending units holding liquid assets. About three million fewer spending units had savings bonds at the beginning of 1948 than a year earlier. This decline extended the tendency noted in 1946 and was the primary factor accounting for the smaller number of people holding liquid assets. There was little or no change in the number of people holding checking or savings accounts.

The total amount of net saving by consumers, out of current income according to the survey continued to decline in 1947, the result of further heavy dis-saving (i.e., expenditures in excess of income) on the part of more than one-fourth of all spending units and somewhat smaller amounts saved by other spending units. The substantial dissaving in 1947 reflected consumer willingness to spend freely. Many consumers were willing to draw on their liquid assets or to borrow for the purpose of purchasing consumer durable goods or meeting higher living costs.

The conclusion of the survey is that the general financial status of consumers showed the first signs of weakening in 1947 in that fewer spending units held liquid assets at the end of the year and there was a substantial increase in total indebtedness. Most consumers, however, continue to have a strong financial status since (1) employment and income are at peak levels and widely distributed, and (2) well over two-thirds of all spending units still have liquid assets in their possession and sizable amounts are held by people in all income groups.

The outlook is that consumer expenditures for durable goods and houses, says the report, will continue in expanding volume. Buying intentions for new cars still exceed expected production, and there is no change in prospective demand for other selected durable goods. In addition, it is possible that immediate consumer demand for certain types of durable goods has increased further since the survey, which was taken before the proposed increase in military expenditures. There is also a tendency for a greater proportion of consumer durable goods to be bought on a credit basis today than a year ago and for a somewhat smaller proportion to be bought through use of accumulated liquid savings. As the volume of consumer durable goods purchased continues to rise, however, increasingly larger amounts of liquid assets are being used in buying these goods, and there has been no slackening in the rate of turnover of such assets.

The survey reports that in order for spending units to satisfy their demand for houses, particularly new houses, in 1948, there will need to be a further substantial increase in the volume of mortgage credit. Since veterans account for approximately half of the total housing demand, no slackening in requests from veterans for mortgage loans can be anticipated.

Ralph Bloom Dead

Ralph Bloom of Culbertson, Olsen & Co., Chicago, died on May 24.

Wants Controls Lifted On Residential Hotels

F. O. Cosgrove, President of Hotel Association of New York City, says residential hotels are squeezed by rising costs and slower sales of rooms. Notes bonds of New York residential hotels remain below par.

New York's residential hotels are being squeezed between rising costs and slower room sales, according to Fred O. Cosgrove, President, Hotel Association of New York City, Inc. Operating costs, both labor and supplies, steadily have advanced while total room sales of residential hotels declined. They rented 93.4% of their rooms in the first quarter of 1948 compared with 96.3% in the same 1947 period. Slower room sales, according to Mr. Cosgrove, whose association represents 203 hotels with 70% of all hotel rooms in this city, reflect a general easing in transient room sales with current occupancy of 90% off 6.8% over this time last year.

Fred O. Cosgrove

Many residential hotels here kept out of the red until now because their operating losses on permanent rooms were offset by the sale of rooms to transients. Permanent rooms remain under rent controls which were lifted from transient facilities in February, 1947. And to meet, in part, the heavy increase in operating costs of all hotels, transient rates were raised an average of 17%.

Some Lose 32c a Day on Permanent Rooms

"The daily rate of a permanent room in 10 representative New York residential hotels averages $2.65, but the operating cost and expense of these rooms average $2.97, which means," explained Mr. Cosgrove, "that total daily costs of producing the average room is 32¢ more than the average daily permanent room rental rate.

"Residential hotels' operating costs have more than doubled since 1940, according to a survey of New York City Residential Hotels' costs and rates. Services, which alone represent 60% of residential hotels total operating expenses, now are 100% greater than in 1940. Between 15 and 20% more employees are needed today to care for the same number of rooms, due principally to the inauguration of the five-day week in 1946. Between 1940 and now, wages have increased as follows: bellboys up 66%, window washers 89%, maids 97%, package room porters 108%, housemen 119%, telephone operators 120%, and elevator men up 123%.

"Meanwhile prices of supplies needed by residential hotels are averaging 160% higher than those of 1940. Rice coal that in 1940 cost $6 a ton now costs $11.30. Number six fuel oil that was 4¢ a gallon now costs 11¢. Window shades that could be bought for 43¢ now cost $1.72. Venetian blinds that were $5.70 now cost $17.50. The percentage advances in costs of other supplies and services in the last eight years include: laundry up 100%, home equipment and paper supplies, each up 113%, floor coverings 117%, and linen costs and cleaning supplies each up 166%.

Granted Only Housing Rent Advances

"When residential hotels' sales prices — their permanent room rental rates—were frozen by the Office of Price Administration in March, 1943, they were lower than they had been in 1939. Then their average rooms rented for $3.03 a day against $2.71 a day in 1943. Meanwhile, in contrast to higher supply costs and increased service prices, from 1946, to the present these permanent room rates only increased as much as ordinary housing rents.

"Permanent residential hotel facilities include supplies which do not come with any other form of housing. For example, an analysis of a 315-unit residential hotel and a comparable apartment building of the same size showed that the hotel had approximately 90 employees, exclusive of the food and beverage department, representing a total payroll of more than $180,000 a year—while the apartment building had 14 employees at a yearly cost of $28,000.

Bonds Far Below Face Value

"The present plight of many residential hotels," declared Mr. Cosgrove in stressing the need for prices on permanent, accommodations that will produce a fair profit on the costs of their services and supplies, "is reflected in the market quotations of their securities, most of which are owned by average investors.

"Fifteen active mortgage bond issues on New York residential hotels now have a market value, according to Amott, Baker & Co., of $19,108,688. The face value of such bonds, however, is $29,071,558. Between the end of 1943 and 1947 these hotels reduced their mortgage indebtedness from $31,581,030 to $29,071,558 or 8.66%. Although the public owner—the average man and woman — of these residential mortgage bonds received an average of 4.12% in 1947 most stockholders received little or nothing on their investments in such hotels."

Chas. A. Parcells & Co. Adds Worcester to Staff

DETROIT, MICH. — Philip I. Worcester has become associated with Charles A. Parcells & Co., Penobscot Building, members of the Detroit Stock Exchange, according to an announcement just made by the firm. Mr. Worcester has recently been with Clayton & Lambert Manufacturing Co. and prior thereto with the Masonite Co. He will be in the Sales Department of the Parcells Co. and will specialize in listed securities.

Canadian Securities

By WILLIAM J. McKAY

The Canadian International Trade Fair, an event unique in North American annals, is symbolic of Canadian progress in industrial development. Open to exhibits from all over the world more than 1,500 classifications of goods are represented and an estimated 35,000 buyers will attend. Foreign buyers will be particularly impressed by the Canadian showing in the industrial and commercial range, and previous conceptions of the Dominion as mainly an agricultural producer will be rudely shattered.

Thus Canada follows the historic path of the great trading nations of the world and has taken an important practical step towards a renewed stimulation of international trade. This bold venture was not conceived in haphazard fashion, as it was first planned nearly two years ago, and the timing was arranged to coincide with the end of the reconversion period and the estimated stage of full peacetime production. Consequently the Canadian exhibits are not merely for show-window purposes and all items displayed are available for immediate delivery.

The staging of the Industrial Fair at this time is only part of Canada's long-range planning for industrial development and the extension of the Dominion's foreign commerce. Since the breakdown of the U. S.-British-Canadian exchange triangle, Canada has foreseen in characteristically realistic fashion, the necessity to adopt an independent economic course. Unlike most other countries where economic policies are dictated by force of uncontrollable internal and external circumstances, Canada, by virtue of her tremendous latent resources and her proven capable management, is uniquely situated to pursue successfully a predetermined economic course.

The goal of economic independence however can be achieved only as a result of persistent effort over a long period. It is fortunate therefore that the operation of the ECA program will serve to bridge the immediate gap until the results of the current long-term planning begin to exert their beneficial effect. The most important objective of the current Canadian economic program is the establishment of a healthy balance of U. S.-Canadian trade. The tariff concessions obtained at Geneva are not sufficient to achieve this purpose and Canada therefore is obliged to seek further U. S. cooperation in this direction. As far as this country is concerned Canada is its best customer and it is also appreciated that the current volume of trade, great as it is, can still be expanded as a result of mutual concessions. Furthermore as a result of a balanced trading account the problem of Canada's shortage of U. S. dollars would be solved, and the Dominion would then be able to bear a larger share of the burden of European relief. It is opportune therefore to consider the advisability of early U. S.-Canadian tariff discussions with the object of terminating the chronic imbalance of trade between the two countries. Otherwise both countries face the alternative of a further drastic limitation of U. S.-Canadian commerce and the enforced adoption by Canada of ruthless economic nationalism.

During the week the recent strong trend in both the external and internal sections of the bond market was further accentuated. The internals especially were favorably influenced by the persistent firmness of free funds and the higher level of the Dominion bond market in Canada. Stocks were irregular although Western oil, base-metal, and paper issues held most of their recent gains, with Consolidated Mining & Smelting stock moving into new high ground. The golds were inclined to weaken after their recent spurt on the report of ECA discussions with certain European countries concerning possible currency devaluations. There were also rumors of an International Monetary Fund plan whereby a measure of freedom in the world market might be offered to gold producers.

Chicago Ex. Entertains Contest Winners

CHICAGO, ILL.—James E. Day, President of the Chicago Stock Exchange, announce May 28 that the winners of the Junior Achievement Contest would be entertained at a luncheon at the Union League Club on Tuesday, June 1. The contest was completed on May 14, and the awards were made at the annual Junior Achievement banquet held at the Stevens Hotel on May 18.

The winners of the Exchange's award were: Earl Slifkin, for the west side business center; Richard Dickerson, for the north side business center; and Maraveen Musick for the south side business center. At the same time, six junior achievers who received honorable mention will also be included at the luncheon. They are: Laverne Kramp, Edward Poe., Jr., Ronald Ring, Audrey Jordan, James S. Chrysokos and Herbert Lund.

Also present at the luncheon will be Thomas M. Pendergast, Executive Director of Junior Achievement of Chicago; Homer P. Hargrave, Chairman; F. Joseph Butler and Carl E. Ogren, Vice-Presidents, and Walter R. Hawes, Treasurer, of the Exchange.

Following the luncheon the boys and girls will visit the Exchange.

Jurt Strauss in New York

Jurt Strauss is engaging in a securities business from offices at 52 Wall Street, New York City.

E. H. Lucas Opens

FLORENCE, S. C.—E. H. Lucas is engaging in a securities business from offices in the Florence Trust Building.

Business Man's Bookshelf

Death, Taxes and Your Business—Discussion of survivor purchase and business insurance agreements—George J. Laikin—Fiduciary Publishers, New York City—Paper—$1.75.

Departmental Merchandising and Operating Results of Department Stores and Specialty Stores—1948 Edition John J. Kavanagh—Controllers' Congress of the National Retail Dry Goods Association, New York, N. Y.—paper—$10.00 (to members of the Controllers' Congress and the National Retail Dry Goods Association price $4.50. Ten or more copies at $4.00 each.)

Dividends for More Than a Decade—Booklet listing 266 common stock issues dealt in on the New York Curb Exhange on which dividends have been paid in each year for 10 years or more through 1947—New York Curb Exchange, 86 Trinity Place, New York 6, N. Y.

Du Val's Consensus — Weekly advisory service giving "total market opinion" in a non-technical, one-page report—free copy on request; write to Department P-1100 Du Val's Investment Consensus, 342 Fifth Avenue, New York 19, N. Y.

Economic Reconstruction of Europe, The — Geoffrey Crowther—Claremont College, Claremont, Calif.—$2.75.

Keys to Prosperity, The—Willford I. King—Committee for Constitutional Government, Inc., Bartholomew Building, New York 17, N. Y.—Cloth—$4.

Pattern for Revolt—A pattern for regaining true liberalism—Leonard E. Read—Joseph D. McGuire, Inc., 461 Eighth Avenue, New York 1, N. Y.—10 copies $4.25 (lower rates on larger quantities).

Stock Market, The—Basic Guide for Investors—Joseph Mindell—B. C. Forbes & Sons Publishing Co., Inc., 120 Fifth Avenue, New York 11, N. Y.

FIC Banks Place Debs.

A successful offering of two issues of debentures of the Federal Intermediate Credit Banks was made May 19 by Charles R. Dunn, New York, fiscal agent for the banks. The financing consisted of $30,083,000 1.45% consolidated debentures dated June 1, 1948 and due Nov. 1, 1948, and $53,295,000 1.55% consolidated debentures dated June 1, 1948 and due March 1, 1949. Both issues were placed at par. Of the proceeds, $48,855,000 will be used to retire a like amount of debentures maturing June 1 and the balance of $35,270,000 is new money. As of June 1, 1948, the total amount of debentures to be outstanding will amount to $520,325,000.

Wm. J. Kearns With Remer, Mitchell Firm

CHICAGO, ILL.—Remer, Mitchell & Reitzel, Inc., 208 South La Salle Street, announce that William J. Kearns is now associated with them in their Trading Department. Away from the "Street" for several years, Kearns was with Winthrop, Mitchell & Co. for some years, and prior thereto with Colvin & Co.

Preparing Children for War

By ROGER W. BABSON

Mr. Babson, asserting conflict of ideologies may oblige those "who have" to give up much to those who "have not," stresses value of education and importance of training for a trade as preparation for this contingency.

Whether or not a war with Russia will materialize, no one knows. It, however, should be realized that the world is going through a great revolution comparable only to the French Revolution of over a century ago. Owing to this conflict between ideologies, those who "have" may be obliged to give up much in properties, securities, prestige, privileges, etc., to those who "have not."

Roger Babson

This is especially important to consider in connection with the education of children. Hence, Mrs. Babson and I have devoted our earnings to help the Babson Institute to train men, Webber College to train women, and Utopia College in "the center of the country" to train both young men and women.

Every reader knows that the most important of all investments are in character, health and education. Everything else, whether stocks, bonds, bank accounts or real estate, can fade away. This is not saying that they will, but through taxation during peacetime and confiscation during wartime, it is constantly going to be harder for children to profit from what money they inherit from us parents. Therefore, we should keep our children in college just as long as we possibly can, and, if necessary, subsidize them in the meantime so that they can get married and have children.

What About Marriage?

We should perhaps change our ideas as to marriage, support of families and education. The present theory, whereby children should get through college as soon as possible and not get married until able to "paddle their own canoe" without any help from home, may be wrong. Better have them take a longer time for their education including an intensive year's course in Mechanics.

In the Balkan countries, Czechoslovakia, Finland and eastern Germany, the native young people who have fared the worst under Communistic regimes are the sons and daughters of well-to-do people, many of whom have been liquidated. The poor people are better off than they ever were; but the ones who are really suffering are the sons and daughters of the upper middle-classes who were living a life of more or less ease. Their parents have been stripped of their lands, stocks and bonds. Only those young people who had been trained to be agriculturalists, physicians, dentists, scientists, engineers, accountants, mechanics and other skilled workers have been protected.

Importance of a Trade

Too many young people are going out into life inefficiently equipped manually. Most of them are helpless in putting a machine together or in operating it or repairing it. This applies to almost everything from fixing a typewriter to operating farm machinery. Hence, our college graduates go out into the world without the respect of labor. Therefore, I believe every young person should spend a year in some mechanical business or school.

Some readers may be fortunate enough to have a mechanically inclined boy or girl, but I am sure that many readers will agree with me that most children are too helpless. This is one reason which gives labor leaders the ability to threaten us with strikes and scare us with their propaganda. This is especially important for those who expect to inherit money or position. A year's training of this sort would be the very best insurance that we could possibly give our children and grandchildren.

Get Some Mechanical Training

Such a year's training would not take the place of a college which teaches very necessary foundations. I am simply appealing that after this formal education is completed, before our young people settle down, they should take a year of intensive training in mechanical work, agriculture, ranching, oil production, lumbering and the other basic industries upon which our nation ultimately must depend. Certainly, they should know more about the industries upon which their food, clothing and shelter depends.

Enyart Consolidates With First Securities

CHICAGO, ILL.—First Securities Company of Chicago, members Chicago Stock Exchange, announce the consolidation with them of the business of Enyart, VanCamp & Co., Inc., and the election of Charles E. Enyart and Owen V. VanCamp as Vice-Presidents and Jean A. Horacek as Assistant Treasurer.

The amalgamation of these two well known securities firms, according to Leston B. Nay, President of First Securities, will enlarge the scope of service to the clients of both houses.

Enyart, VanCamp & Co., Inc., was organized in 1932 at a time when local municipal and county governments found it necessary to meet payrolls with tax anticipation warrants in lieu of cash salaries. Among the first houses in Chicago to deal in these securities, they performed a very constructive job in helping to solve the financial difficulties of local government finance. The firm also specialized in Chicago and suburban bank stocks.

Mr. Enyart's LaSalle Street connections go back successively to the old Fort Dearborn National Bank, Merrill, Cox & Co., Curtis and Sanger and as Vice-President and director of Otte & Co. He has been a member of the American Institute of Banking and the Bond Traders Club of Chicago since 1932.

Mr. VanCamp is a past President of the Illinois Securities Dealers Association and Chairman of the finance committee of the Amateur Athletic Union. He has been Treasurer of the United States Olympic Committee since 1945. VanCamp is a member of the Union League Club of Chicago and was Sports Commissioner for the Century of Progress.

Mr. Horacek was Treasurer and director and one of the organizers of Enyart, VanCamp & Co., Inc. Prior to 1932, he was financial display representative for the Chicago Daily News for ten years.

The entire personnel of Enyart, VanCamp & Co., Inc., has moved to the First Securities Company offices located at 134 S. LaSalle Street, Chicago.

Attacks Unions' Bid for Rail Nationalization

R. E. Woodruff, President of Erie Railroad, says it would be opening wedge for nationalization of all industry.

The proposal of the 21 railroad unions demanding that the government nationalize the railroads should be viewed with the greatest alarm by all people of the United States, according to R. E. Woodruff, President of the Erie Railroad. "It is an attack on all American institutions and ideals. The railroad industry is so basic to our industrial and social activity that nationalization as proposed by these unions would have far-reaching effects on American life as we know it today," Mr. Woodruff stated.


Robert E. Woodruff

Continuing his statement, Mr. Woodruff pointed out that nationalization of the railroads would be the opening wedge for the nationalization of all industry and would sound the death knell of the free enterprise system. In these critical times, when our greatest problem is to defend our system against the ever-present threats of socialism and communism, we should be doing everything humanly possible to strengthen and preserve the principles of private ownership of all industry.

The railroads of the United States and one railroad in Canada are the last remaining railroads in the world that are not government-owned or controlled, Mr. Woodruff stated. Because of this private ownership, the American railroads provide a superior service at lower cost to the public than any other country of the world even though the pay envelope of the average American railroad employe is far greater than railroad workers elsewhere.

"We have already had one sad experience with complete government operation of the railroads during the first World War," said Mr. Woodruff. "That experience, compared with the performance during World War II, should be proof enough that private operation is far superior to government operation. Even though the government found it necessary to increase freight rates 110% during its period of operation, the government lost $2 million a day. In the last war under private operation and management, there was no increase in freight rates and the railroads paid $4 million a day to the Federal Government in taxes. In other words, the taxpayers benefited to the extent of $6 million a day or over $2 billion dollars a year under private management.

"Despite tremendous increases in operating expenses since World War I, railroad efficiency has given the public a better service at lower cost. The benefits from this increased efficiency have gone to employes in higher wages and to the shipping and traveling public in lower costs. These are distinct contributions to the national welfare.

"It has been demonstrated repeatedly that under government operation all initiative is lost. Our high standard of living is the result of initiative and freedom of opportunity. Through the investment of private capital and the re-investment of earnings in improvements and modernization, American industry has been able to increase its efficiency and pay higher wages to employes. Without this investment in better tools and machinery by the millions of investors from all walks of life, America would soon find itself reduced to the status of an inferior nation. We need only to look around us at other nations of the world to realize the folly of government ownership of industry."

Outlines Prospects of Steel Industry

In reviewing the problems and prospects of the iron and steel industry, Walter S. Tower, President of the American Iron and Steel Institute, at the Annual Convention of the organization in New York City on May 27, stoutly refuted allegations that the industry was purposely holding back production and expansion. As part of his address, Mr. Tower stated:


Walter S. Tower

"With all the talk about shortage of pig iron and of steel products and clamor for expansion of capacity, the question of raw materials looks like the most immediate and pressing problem. Annual steelmaking capacity as of Jan. 1, 1948, was above 94 million tons of ingots. More capacity is being completed this year, and still more is planned to be available in 1949. By the end of next year, therefore, steelmaking capacity in this country will top 96 million tons. But in spite of increased capacity, there is real doubt whether the available supply of metallics would have permitted production of more than 90 million tons of steel in 1948, had there been no coal strike.

"All of you know the story of scrap, in tight supply and high-priced for many months, in spite of diligent efforts to help improve the position. Furthermore, there seems little chance that any fundamental easing of scrap supply will appear, until a prolonged period of slack industry permits obsolescence to generate scrap faster than it is consumed. And, that process, conditional on unwelcome factors cannot be other than a slow and possibly remote remedy.

"Substantial tonnages of steel could have been added even to last year's high output, if enough good quality scrap had been available to permit maximum use of ingot capacity. Scrap continues to be a limiting factor for current production.

"Ore supply, as the other part of the metallics equation, presents a somewhat similar problem. I do not refer to the debatable point about estimated life of high-grade open-pit Lake ores. That is a separate problem, of a different sort. I refer only to apparent physical limitations on bringing down the Lakes enough ore to keep any more, possibly even existing, furnaces, working at full capacity. To remove such limitations will require expansion of mines, of terminal handling facilities, of lake shipping and storage, all involving heavy capital investment and considerable time for completion.

"Basic problems like these, however, are passed over lightly, or wholly ignored by those noisy groups of theorists who would have 10 to 20 million more tons of capacity created some Friday by Federal fiat.

"According to press reports, a recent meeting of labor union leaders demanded 'immediate expansion of basic steelmaking facilities to support additional steel production of at least 10,000,000 tons of ingots.' Such demands overlook the fact that there could have been 20 million more tons of steel during the past 30 months had production not suffered from strikes and work stoppages, directed by some of those same union leaders.

"The question of capital needs tramps close on the heels of raw materials in the procession of problems which marches on the steelmaker. Few other industries call for such heavy capital requirements as does steelmaking, with the problem made all the more difficult by current inflated costs of construction and equipment.

"Take for example the programs of improvement and expansion which have been under way since fighting stopped. In the aggregate they are expected when completed to add some important finishing facilities and about 5 million tons of annual ingot capacity. Estimated total cost exceeds 1½ billions of dollars, or an average of $300 for each additional ton of steelmaking capacity. Ten years ago the average investment per ingot ton for representative companies was about one-fourth that figure.

"This industry requires huge amounts of capital for replacements, improvements, growth. It cannot attract or generate capital without adequate profits. If its costs get out of proper relation to its capital, a moderate shrinkage in volume of business could easily wipe out profits and create the sort of condition which is typical of the jungle. For some strange reason, steelmakers are not expected to pass on to consumers the full measure of increased costs of raw materials, of wages and purchased services. Yet they are expected to maintain plant facilities to meet every demand of steel consuming industries, of economic recovery overseas and of national defense at home. Steelmakers, therefore, have a double-barrelled problem in keeping costs under close control and protecting profits, which alone permit private enterprise to survive.

"Within the year your industry has been referred to as semi-public property' and as having the status of a 'public utility,' to be dealt with as such. It has heard the open threat of permanent government control. Although one may grant for the moment that any such threat must have come from unthinking or irresponsible persons, the ominous fact is that it was not generally decried. And there may be kinship between such threats and the idea which persists in some quarters that mandatory controls over steel production and distribution should be exercised by government even in these peace times.

"If there is a crisis confronting the civilized world, there is also a crisis confronting American industry, and your industry in particular. Wearing the garb of recovery programs and the insignia of preparedness, relentless planners seek powers to dictate to industry. For the efficiency of private management they would substitute the bungling of bureaucracy. Industry cannot afford idly to watch little controls grown into complete government direction of business. National planners are the first step toward economic dictators.

"Unless the people of this country have enough sense to recognize the danger and the courage to stop the process while there is still time, then we shall have succumbed in this country to precisely what we seek to prevent elsewhere."

Financial Writers Choose Dickhuth President

Shulsky, Macko, and Stauffer are other officers elected by Association.

H. Eugene Dickhuth, financial writer at the New York "Herald-Tribune," was elected President of the New York Financial Writers' Association at the annual meeting of the organization held May 27, at the Hotel Astor. He succeeds Robert Denver of the New York "World Telegram." Samuel Shulsky of the New York "Journal-American" was elected Vice-President; Charles Macko of the "Wall Street Journal" was elected Treasurer and Fred B. Stauffer of the New York "Herald Tribune," Secretary.


H. Eugene Dickhuth

The following were elected to the Board of Governors: T. E. Applegate, Associate Press; Alfred F. Connors, United Press Association, Inc.; Robert Denver of the "World Telegram"; George E. Shea, Jr. of "Barron's" and Thomas O. Waage of "Journal of Commerce."

Mr. Dickhuth has been associated with the "Herald Tribune" for five years. Before that he wrote for McClure Newspaper Syndicate and during the war he was United States correspondent of the "Financial News," London. He is correspondent for "Commerce," Bombay, Union of India, and is a contributor to various magazines.

The Association was formed in 1938 by a group of business and financial writers at leading New York dailies, wire services and certain other publications handling economic news. Its first President was Elliott V. Bell, then with the New York "Times" and now New York State Superintendent of Banks and one of the principal advisors of Governor Thomas E. Dewey.

Every year since its formation, except during the war years, the Association has staged a show known as "The Financial Follies," the New York counterpart of the Washington Gridiron dinners; skits acted, written and produced by members satirize and lampoon current events and leading figures of the national scene. This year's show is scheduled for Nov. 19 at the Hotel Astor.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Sterling National Bank & Trust Company of New York announces that Gerald Darhansoff, formerly

Gerald Darhansoff

an Assistant Vice-President at its main office, has been elected a Vice-President of the Bank.

* * *

Completion of arrangements by the **Sterling National Bank & Trust Company of New York** to acquire the business of the **Boulevard Bank,** at **Forrest Hills, Long Island, N. Y.** was made known on June 1. In accordance with the plans the New York State Banking Department on May 19 authorized the Sterling to operate the quarters of the Boulevard Bank as a branch.

* * *

Gordon Woodward, Assistant Vice-President of the **Bankers Trust Company of New York** was elected President of the New York Chapter of **Robert Morris Associates,** a national association of bank credit men, at the annual meeting of the Chapter held in New York City on May 27. Mr. Woodward succeeds Paul R. Vervoort, Assistant Vice-President of the **Commercial National Bank & & Trust Company of New York.** Other officers elected for the 1948-1949 term were: First Vice-President, John T. Degnan, Assistant Vice-President, **New York Trust Co.**; Second Vice-President, Stephen Van Rensselaer, Assistant Vice-President, **First National Bank;** Treasurer, Talbot Babcock, Assistant Vice-President, **Bankers Trust Company;** Secretary, Curtis R. Bowman, Manager Credit Department, **Federal Reserve Bank.**

Governors elected for two-year terms were: Daniel P. Adams, Vice-President, **Marine Midland Trust Company;** Leslie M. Hayes, Vice-President, **Fidelity Union Trust Company of Newark;** Robert G. Norwood, Assistant Vice-President, **Central Hanover Bank & Trust Company;** Paul R. Vervoort, Assistant Vice-President, **Commercial National Bank & Trust Company of New York.**

Governors continuing for one year are: S. Allen Pippitt, Second Vice-President, the **Chase National Bank;** Herbert O. Eversmann, Vice-President, **Bank of New York;** Clarence V. T. Ludlow, Vice-President, **Empire Trust Company;** Charles G. Young, Assistant Vice-President, **Bank of the Manhattan Company.**

* * *

N. Baxter Jackson, Chairman of the **Chemical Safe Deposit Company of New York** announces the election of Wandell M. Mooney, formerly Vice-President, as President succeeding Stephen M. Livingston who has reached retirement age. Frances M. Boos, formerly Vice-President and Secretary was elected Executive Vice-President and Secretary and Edward F. McGinley was elected a Director. Mr. Livingston, retiring President, joined the staff of the **Chemical Bank** in 1905 and became an officer of the Chemical Safe Deposit Company in 1926.

* * *

Benjamin Strong, President, announced that on May 27 the Board of Trustees of **United States Trust Company of New York** appointed Helmut Andresen, Assistant Vice-President and Robert C. Shriver, James P. Tobey, Leonard T. Scully and Charles W. Buek Assistant Secretaries. Mr. Andresen was formerly Assistant Secretary of the Company.

* * *

The **New York Agency** at 67 Wall Street of **The Standard Bank of South Africa, Ltd.** announces the receipt of the following advices by cablegram from the bank's Head Office in London, regarding the operations of this Bank for the year ended March 31, 1948:

"The Directors of The Standard Bank of South Africa, Ltd. have resolved to recommend to shareholders at annual General Meeting to be held on July 28 next payment of final dividend of nine shillings per share together with bonus of four shillings per share both payable in British currency and subject to income tax at nine shillings in pound making total distribution of 20% for year ended March 31 1948 to appropriate £125,000 to writing down bank premises and £250,000 to Officers Pension Fund carrying forward balance of £201,998. Bank's investments stand in books at less than market value at March 31 last and all other usual and necessary provisions have been made. Directors have decided to transfer £1,000,000 from Contingencies Account to Reserve Fund thereby increasing amount of Reserve Fund to £5,000,000. Transfer books will be closed from July 7 to 20, both dates inclusive."

* * *

At a meeting of the Board of Directors of **City Bank Farmers Trust Company of New York,** held on June 1, Howard B. MacAdams, formerly an Assistant Trust Officer, was appointed Assistant Vice-President; Allen C. Duncan and Edward F. Mitchell were appointed Assistant Trust Officers and Harold Swenson was appointed Assistant Secretary.

* * *

The Third Annual Travel Exhibition, which is free to the public, is now being conducted at **The Bank for Savings,** 4th Avenue at 22nd Street, New York. Because of the interest on the part of depositors and the general public, these exhibitions have become an annual event. The exhibition consists of dioramas displays, kodachromes and posters featuring dreamed-of beauty spots to visit in America, Canada, Mexico, Holland and other countries. The displays, set up in the main banking room, are accompanied by travel literature. Information is also available for those interested in nearby beach or mountain resorts. The Exhibition will continue to July 15.

* * *

Wallace H. Sloat has been elected a trustee of the **Brooklyn Savings Bank of Brooklyn, N. Y.** it is announced by Gilbert C. Barrett, President. The Brooklyn "Eagle" of May 30 noted that Mr. Sloat is Vice-President and Secretary of the **Brooklyn Trust Company,** which he joined in 1912, and is a Director and Secretary of the **Brooklyn City Safe Deposit Company.** He is also a member of the Bankers Club and Brooklyn Club.

* * *

Plans to increase the capital of the **Buffalo Industrial Bank of Buffalo, N. Y.** from $300,000 to $400,000 were approved by the New York State Banking Department on May 18.

* * *

Arthur E. Dick President of the **Peoples Savings Bank and Trust Co. of Hazleton, Pa.** the A. E. Dick Construction Co. and affiliated concerns died on May 24, according to Associated Press advices from Hazleton appearing in the Philadelphia "Ledger." He was 87 years of age.

* * *

The **Belmont National Bank of Chicago, Ill.** increased its capital on May 13 from $200,000 to $250,000 through the sale of $50,000 new stock, according to the May 17 "Bulletin" issued by the Office of the Comptroller of the Currency.

* * *

John C. Jester has been elected a Vice-President of the **Mercantile National Bank of Dallas, Texas** it was announced on May 22 by Milton F. Brown, President it is learned from the Dallas "Times-Herald," which states that Mr. Jester is a member of a well-known family of Texas bankers associated in the field since 1858. The same paper added that for the past three years Mr. Jester has served as Vice-President of the **Colonial Trust Co. of New York,** handling that bank's Texas interests, residing in Dallas and making only about three trips a year to New York. He assumed his new duties at the Mercantile Bank on May 27.

* * *

Harry Goodfriend has been appointed Assistant Vice-President and Manager of the Mission office of the **Anglo California National Bank of San Francisco** succeeding the late Andrew W. Anderson, it was announced on May 27 by Allard A. Calkins, President. Mr. Goodfriend has been with the Anglo Bank for over 19 years. He was appointed an Assistant Cashier in 1946 and an Assistant Vice-President at the beginning of this year. During the past two years he has been a member of the bank's public relations department. He is First Vice-President of the San Francisco Chapter of the American Institute of Banking, a Director of the Executives Association of San Francisco and and is active in civic affairs.

* * *

Acquisition of the **Pioneer State Bank of Goldendale, Wash.** and staff promotions including expansion of the Kennewick Branch staff were announced on May 27 by Andrew Price, Chairman, and Maxwell Carlson, President of the **National Bank of Commerce of Seattle.** Conversion of the Goldendale bank as a Branch of N B of C became effective at the close of business May 29 pursuant to approval of the Comptroller of the Currency. This becomes the 28th office of the $350 million National Bank of Commerce. A. C. Keefhaver, President of the Pioneer Bank will remain for a time in an advisory capacity. At Kennewick, E. C. Tweet was promoted to Assistant Vice-President, and Eddie Pacot was elected to succeed him as Manager. Mr. Pacot has been Assistant Manager of the N B of C Ellensburg Branch since October, 1945. Mr. Tweet has been associated with development of the Kennewick region as a banker for 30 years J. G. Reitsch will succeed Mr Pacot as Assistant Manager at Ellensburg. He has been Cashier for three years at the **First National Bank in Browning, Mont.** William F. Skillern, now Vice-President and Director of the Pioneer Bank, will become Manager of the new Goldendale Branch. Allan J. Crumb, Manager of the Coulee City Branch of N B of C since July 1946, will be Assistant Manager at Goldendale. Urban Schmitt, now Assistant Cashier in the Ilwaco Branch will succeed Mr. Crumb.

American Statistical Association Elects

New York Chapter chooses as officers Brush, Lubin, Lewis and Cahen.

At the annual meeting of the New York Chapter of the American Statistical Association held at the Russell Sage Foundation in New York City May 27, Meredith B. Givens, Chairman of the Committee on Nominations announced the results of a mail ballot for the elec-

Waite S. Brush

Isador Lubin

tion of Chapter officers for the year beginning July 1, 1948, as follows:

President — Waite S. Brush, Manager, Financial and Business Analysis Bureau of the Consolidated Edison Co. of New York, Inc.

Vice-President — Isador Lubin, United States Member, Economic and Employment Commission; Economic and Social Council, United Nations.

Secretary — Robert E. Lewis, Senior Statistician, Research Dept. of the Federal Reserve Bank of New York.

Treasurer—Alfred Cahen, Textile Economist, Dun & Bradstreet, Inc.

Members of Executive Committee (at large)—Robert W. Burgess, Chief Economist, Western Electric Co., Inc.; Paul F. Lazarsfeld, Professor of Sociology, Columbia University, also Director of Bureau of Applied Social Research.

A new Constitution and By-Laws was unanimously adopted. This was prepared by the Committee on Structure of which Dr. Helen M. Walker of Teachers' College was Chairman.

Under the new structure, the foregoing newly elected officers and directors comprise but six members of the Executive Committee. The seventh member of this Committee is, under the new Constitution, the outgoing President of this Chapter, Helen Slade. Incidentally, she is the only member of the new Executive Committee who was not required to "run" for office.

* * *

After the business proceedings of the meeting had been concluded, a thoroughgoing analysis of opinion-polling was presented by Elmo Roper. Mr. Roper pointed out the fallacies in the political field, with particular emphasis on the psychological factors.

Tackaberry & Co.

LOS ANGELES, CALIF.—Dewey T. Tackaberry, 3871 Wilshire Boulevard, is now doing business as Tackaberry & Co.

Weinberg, Frank Co. Formed in N. Y. City

Samuel Weinberg of S. Weinberg & Co. announces the change in the firm name to Weinberg,

Harry Frank

Samuel Weinberg

Frank Co. and the admission to general partnership effective June 1 of Harry Frank. Mr. Frank, who has been associated with various Wall Street firms since 1923, acted in the capacity of Security Portfolio Manager during the past two years since his return from service in the foreign theater of war. Weinberg, Frank Co. will be members of the New York Security Dealers Association and NASD, and will continue their previous business in rendering brokerage service to dealers and banks.

MILLS E. CASE

Well-Known Bond Mathematician Passes Away

Mills E. Case, mathematical authority in bonds, died last week at 77 years of age on his farm in Woodstock, N. Y., where he lived after his retirement from Wall Street.

Mills E. Case

Mr. Case had an eventful career in both the Government and financial worlds. He was associated with the old firm of William Salomon & Co. and its successor firms; Blair & Co., Inc.; and Bankamerica-Blair Corporation of this city.

Mr. Case was Secretary to the New York Police Department in Mayor John Purroy Mitchell's Administration, also assistant to Colonel Leonard P. Ayres, Director of Division of Statistics, Council of National Defense, in the First World War and later to the War Industries Board, when he came back to William Salomon & Co. Besides his Wall Street experience, he was Statistician with the Public Service Commission from 1907 to 1912 and lecturer on statistical methods and practical calculations at New York University, 1908 to 1914.

Mr. Case took great pride in his authorship of the "Explanations and Rules for the Solution of Difficult Bond Problems" published in the text matter of "Van Dyke's" 2, 4 and 6 decimal bond basis books published by The Financial Press of New York.

The bond world came to regard Mr. Case as the last word in working out puzzling bond yield problems and his professional correspondence with bond houses, banking institutions, and insurance companies covered the entire country.

Sterling, Courtney Formed

JACKSONVILLE, FLA.—Sterling, Courtney & Ewing, Inc., has been formed with offices in the Barnett Bank Building to engage in the securities business.

Wall Street Should Take the Offensive

(Continued from page 4)
has increased our high standard of living.

The same situation holds true of the radio and television industry. In the beginning of radio, the same evolution occurred. Many companies that started in this field of endeavor with venture funds, have disappeared from the scene and there is only a minute fraction left. However, this country has reached a stage where there is a radio in practically every home and it is an industry which also has furnished employment indirectly and directly to many Americans throughout the country.

The television industry, which is still in its infancy, was only able to reach its present stage as a result of the speculative funds which were invested in companies operating in this field of endeavor. Naturally, many of these companies fell by the wayside but we are now reaching a stage where in 1948, it is estimated that over one-half million television sets will be sold and the television industry is looked upon as one of the most promising of our new industries.

For example, Dumont Laboratories, one of the pioneers in the rapidly growing television industry would not have reached its present status without the funds provided by venture capital. The company has now reached a stage where real profitable operations are now in prospect. Those who furnished the funds which enabled the company to make this progress in the main have already been compensated by enhancement of their original investment and future prospects appear highly favorable for a further enhancement of invested principal.

Industrial employment today is at an all time high and this achievement is to a large measure due to the efforts of Wall Street banking and investment houses in securing the necessary funds needed by old and well established companies as well as those companies recently organized. A few short years ago Kaiser Frazer, for example, was not even in existence. Today as a result of venture funds invested in the company, Kaiser Frazer is giving direct employment to approximately 15,000 and indirect employment to many others. Many other companies recently formed with venture capital expect to furnish large scale employment. There are many examples, too numerous to mention, of new companies that have been organized in recent years with venture capital which is furnishing a great deal of employment and daily increasing our standard of living. Some of these companies may not make the grade. However, many will grow, become well established and will become important units in our industrial economy.

Highly regarded companies such as American Telephone & Telegraph Co., General Electric, General Motors, American Airlines, National Gypsum, Socony Vacuum Oil and many others have come to "Wall Street" looking for funds to expand their operations. The securing of these funds has enabled these companies to expand operations which also resulted in the additional employment of many thousands of people, reduced the cost of many products and further increased our high standard of living.

We could go on and on enumerating industry after industry where speculative funds were invested and which, in their final evolution, resulted in the complete development of many large industries which are now the mainstay of our American economy.

However, we have heard at one time or another demands that the placement of speculative funds be regulated and controlled. Even if it were possible to do, would it be desirable? America is where it is today because of the urge for profit, for the increase of invested principal.

When the United States as a very young nation embarked upon a program of railroad building, funds were furnished not only by people in the United States but from speculators in many foreign countries. Undoubtedly, many investors or speculators lost a portion of their investment, but today we have a railroad system that reaches into every hamlet, city and state throughout the country. The railroads are the very sinews and arteries of our economic existence. This country would not have attained its present high standard of living if it did not have available at its command venture funds. Therefore, we believe that the regulation of and the control of so-called speculative venture, even if possible, is not desirable.

After all, the security market as well as other markets, such as cotton, wheat, etc., are a vital function of our American economic and capitalist system. We should do all in our power to see that these various markets function properly, for any political action that has an adverse effect upon their usefulness will have a definitely unfavorable effect upon our economic set up.

Yet no real organized effort is being made to bring these facts, the favorable facts, before the American people so that with both sides of the story available they may then judge the truth. Efforts should be made to clear up the so-called mysteries of the workings of Wall Street for after all it is very easy for those with an axe to grind to spread falsehoods that will be accepted by those who do not know and have not been informed exactly as to what the functions of Wall Street consist of. A survey made by any group will bring forth the same facts; that is that there is less knowledge of and more misconceptions concerning the field of Brokerage and Finance than exists in any other industry. And yet very little organized effort is being made to correct this highly undesirable situation.

Without the industry which brought these funds and new industries together, this country would not be the great country that it is today. However, the demagogue, the politician and the left wing radical have always been careful never to show the other side of the picture. They have only been interested in showing "Wall Street" as a soulless octopus, a heartless and greedy industry which is devoted toward crushing the American working man.

Only recently, a would-be candidate for a high Federal elective office received nationwide publicity because of his mention of "Wall Street" in a highly derogatory manner. Every day, politicians in high places and of high repute mention "Wall Street" but not on the credit side of the ledger.

With all this going on, outside of the efforts being made by the New York Stock Exchange and perhaps, by a few others in isolated cases, one sees no organized effort by the industry to defend itself from many of these baseless charges. Any degree of effort made in this direction would find many followers and believers. After all, millions of Americans are owners of securities of the companies that go to make up American industry and if the industry's side of the story were told in simple, everyday layman's language, we know it would do a great deal to counteract the harmful and organized efforts of the detractors of "Wall Street."

Corporations also, have the means at their command to present Industry's side of the picture but, on the whole have been neglectful of their opportunity.

It is estimated that the number of security holders has increased from 8 million in 1929 to over 20 million at the present time. Thus, the bulk of the country's adult population has a direct and financial interest in the well being of our industrial economy and the perpetuation of our capitalistic system.

Therefore, owners of securities would be more receptive to receive literature or hear from other sources what "Wall Street" and Industry, in general, have done and are doing to increase our standards of living and make more attractive our mode of life.

Yet, a survey of the balance sheets and other literature which is mailed out to 20 million securities holders show a lack of imagination in the treatment of this subject. Many of these annual statements are written up in very stodgy manner and in highly technical fashion. The result is that the average stockholder rarely reads these balance sheets.

If corporations would write up their balance sheets and other literature which goes to stockholders in everyday language so that they would be more readable and understandable, we believe that a great deal of the communistic and other adverse propaganda which is being steadily disseminated, would not be so readily absorbed and accepted as being such by a large number of the average laymen.

Also, many corporations issue weekly or monthly "House Organs" to their employees, thus reaching the majority of the working population in the country. A study of many of these publications reveals that, on the whole, a good many industrial organizations are performing a good job in showing how the well being of the working man and the company are definitely related and that in the long run, one cannot progress at the expense of the other. But, on the whole, these "House Organs" are not utilizing to the utmost, the possibilities inherent in the publications that reach down to everyone in a corporation.

Too long has industry and finance been on the defensive and we, therefore, believe that "Wall Street" and Industry, which can reach into the homes of the majority of stockholders and working people, could do a better job of advertising the favorable aspects of our capitalistic system.

Maryland Bankers Ass'n Elects Officers

BALTIMORE, MD.—At the concluding session of its 52nd annual convention held in Atlantic City the Maryland Bankers Association elected officers to serve during the 1948-49 term:

President — Norman B. Boyle, Secretary-Treasurer, Westminster Savings Bank, Westminster.

Vice-President— W. R. Huey, President, First National Bank, Chestertown.

Treasurer — Pierre N. LeBrun, President, Cecil National Bank, Port Deposit.

Secretary — Matthias F. Reese, Secretary - Manager, Baltimore Clearing House, Baltimore.

Assistant Secretary—William B. Elliott, Assistant Manager, Baltimore Clearing House, Baltimore.

What Is That, Mr. President?

"All over the world today meetings such as this are being held to commemorate the service which our men and women rendered for the freedom of the world, for the freedom of the individual, and for the right to live in peace as we choose to live, to think what we please, to worship as we please, and to control our own government as we please.

* * *


President Truman

"We want peace in the world. We want peace founded on justice. That is the fundamental platform of our foreign policy. That means that the United States has always stood and always will stand for peace in the world.

* * *

"We must see that peace in the world is implemented on a basis of the rights of the individual, of the rights of men and women everywhere to freedom of worship, freedom from fear, freedom from want. Let us not forget that this Unknown Soldier died for just those things." — President Truman.

We can not help wondering if the President—and all the others who talk so much in the same way — have ever stopped to consider the real meaning of what they say.

They seem to us to assert that we must insist upon the acceptance by all other nations of our concepts of social and economic welfare and justice.

Of course, peace on that basis is a long, long way off.

National Bank Assets Off in First Quarter

Comptroller of Currency Delano reports assets of $85 billion on April 12 or about $3½ billion below Dec. 31, 1947, but $1½ billion over figure of June 30, 1947.

The total assets of National banks on April 12 of this year amounted to $85,000,000,000, according to Comptroller of the Currency Preston Delano. The returns from the call covered the 5,014 active banks in the United States and possessions. The assets were $3,500,000,000, or nearly 4%, less than reported by the 5,011 active banks as of Dec. 31, 1947, the date of the previous call, but were $1,500,000,000, or nearly 2%, above the amount reported by the 5,018 active banks as of June 30, 1947.


Preston Delano

The deposits of national banks on April 12, 1948 were nearly $78,500,000,000, which was a decrease of $3,800,000,000 since December, but an increase of more than $1,000,000,000 since June of last year. Included in the current deposit figures are demand deposits of individuals, partnerships, and corporations of $45,134,000,000, which decreased $2,945,000,000, or 6%, since December, and time deposits of individuals, partnerships, and corporations of $18,767,000,000, which increased $3,000,000. Deposits of the United States Government of $1,526,000,000 were $627,000,000 more than in December. Deposits of States and political subdivisions of $4,907,000,000 showed an increase of $181,000,000, while deposits of banks totaling $7,035,000,000 were $1,377,000,000, or 16%, less than in December. Postal savings deposits were $2,803,000, and certified and cashiers' checks were $1,095,000,000.

Loans and discounts on April 12 were $21,816,000,000, an increase of $336,000,000, or 1½%, since December, and an increase of $3,000,000,000, or 16%, since June of last year.

The banks held obligations of the United States Government of $37,000,000,000, which was a decrease of $1,870,000,000, or nearly 5%, since December, and a decrease of $2,500,000,000, or 6%, since June. Obligations of States and political subdivisions held in April amounted to $3,173,000,000, an increase of $144,000,000 over the December figure, and other securities held were $2,120,000,000, a decrease of $36,000,000.

Cash of $1,087,000,000, balances with other banks (including cash items in process of collection) of $7,774,000,000, and reserves with Federal Reserve banks of $11,062,000,000, a total of nearly $20,000,000,000, decreased more than $2,000,000,000 since Dec. 31.

The unimpaired capital stock of the banks on April 12, 1948 was $1,860,000,000, including $25,000,000 of preferred stock. Surplus was $2,420,000,000, undivided profits $962,000,000, and reserves $357,000,000. Total capital accounts of $5,539,000,000 were $117,000,000, or 2%, more than in December last.

United States Government securities were 43.51% of total assets on April 12, and loans and discounts were 25.69%. The percentage of capital accounts to total deposits was 7.06%.

Four Join Crowell, Weedon

(Special to THE FINANCIAL CHRONICLE)

PASADENA, CALIF. — Ray J. Fritz, Robert J. Gillette, Edwin E. Morgan, and William H. Stitt have become associated with Crowell, Weedon & Co., 650 South Spring Street, Los Angeles, members of the Los Angeles Stock Exchange. All were formerly with Reagan & Co., Inc., of which Mr. Fritz was an officer.

Side Lights on the Annual Spring Outing of the San Francisco Security Traders Association

By Edwin L. Beck, the Chronicle's Roving Reporter

SAN FRANCISCO, CALIF.—The annual spring outing of the San Francisco Security Traders Association was held May 22nd and 23rd at the Northwood Lodge, Monte Rio. The Committee in charge of events and arrangements did a yeoman job in seeing that a most enjoyable time was had by all attending.

Emmet Whitaker, Davis, Skaggs & Co., was General Chairman. E. K. Donald, First California was in charge of baseball; "Sandy" Hogland, Brush, Slocumb & Co. made arrangements for rooms and transportation, and James M. Stewart, Wilson, Johnson & Higgins, was in charge of golf.

Officers and directors of the Association are Collins L. Macrae, Wulff, Hansen & Co., President; J. B. McMahon, Merrill Lynch, Pierce, Fenner & Beane, Vice-President; Walter J. Vicino, Blyth & Co., Inc., Secretary-Treasurer, and Houston Hill, Jr., J. S. Strauss & Co., Thomas W. Price, McAndrew & Co., Inc., Conrad O. Shafft, Shafft, Snook & Cahn, and Earl Thomas, Dean Witter & Co., Directors.

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Seals vs. Oakies to Have Later Play-off—The baseball diamond at the Lodge, unfortunately, was not ready and the long-awaited softball game between Walt Vicinio (Blyth & Co.) "Oakies" and Ken Donald's (First California Co.) "Trained Seals" had to be deferred to a later date.

Scheduled to represent the "Seals" were Tony Richman, Davies & Mejia; Art Perenon, Wm. R. Staats Co.; Ted Baker, Dean Witter & Co.; Hodge Davidson, Bailey, Selland & Davidson; Sandy Hogland, Brush, Slocumb & Co.; Ken Donald; Joe Kessler, Irving Lundborg & Co.; Elmer Weir, Brush, Slocumb & Co.; Bob Healy, Davies & Mejia; Al Hewitt, First California Co., and Tom Price, McAndrew & Co.

Members of the "Oakies" team were Forrest Moran, Conrad, Bruce & Co.; Jack Sullivan, First California Co.; Rudy Sandell, Shuman, Agnew & Co.; Jim Stewart, Wilson, Higgins & Johnson; Bart McMahon, Merrill Lynch, Pierce, Fenner & Beane; Walt Vicino, Blyth & Co., Inc.; Jack Egan, First California Co.; Cliff Morrill, Walston, Hoffman & Goodwin; Jack Quinn Stone & Youngberg; Chick Hawkins, Blyth & Co., Inc.; Bill Belknap, Walston, Hoffman & Goodwin, and Joe Talbot, Hannaford & Talbot. Jack Buick, American Trust Co., was to have umpired the game.

* * *

Something Has Been Added—Robert L. Smith—O. L. E.—Oldest living employee of Hill Richards & Co.'s, 1 Montgomery Street office, started April 1, 1931 and is still trying to figure who got fooled, he or the company.

* * *

Free Coffee & Soup, Boys!—William G. Hyde, a Vice-President of Blair & Co., Inc. of New York, has a beautiful new coffee machine (stands six feet high and two wide) in the back office (room 333) in the Russ Building. Here's your hot coffee (5c) rich and refreshing. It also makes hot soup. Knapway Devices, Inc., Kansas City, Mo., put it out, but Hyde furnishes the 5c.

* * *

Such Youth!—"Sandy" Hogland, Brush, Slocumb & Co., and Harry L. Schmid of Wm. D. James Co. (Sacramento) are horsemen of note. They rode like Paul Revere.

* * *

Piano Solos—Ernest E. Blum and Elmer L. Weir of Brush, Slocumb & Co., and J. Earle May (Palo Alto)—played some sweet piano music.

* * *

No Fiddling—The boys missed F. A. Baker's violin-playing this year—bring it next year, "F. A.," please.

* * *

Whispering Pals!—Believe it or not—Bob Bourne, Conrad, Bruce & Co., and John Francis ("Pete") Finnegan, Hannaford & Talbot.

* * *

Sporty Clothes—George G. Kammerer, J. S. Strauss & Co., is a fine fellow to know if you get in town without a wardrobe of sport clothes. He will always have some to loan you! NO CHARGE.

* * *

A Dancing Man!—Houston Hill, Jr., J. S. Strauss & Co., still leads the hit parade with his dancing. He is really good—look him up, girls.

* * *

Sweet Tenor—Bert McMahon of Merrill Lynch, Pierce, Fenner & Beane, is your man—call him and confirm it.

* * *

Happy Time at Golf—Clifton W. Morrill, Walston, Hoffman & Goodwin, after 18 holes says you must pay up to Walter Schag, First California Co. Else how do you think I can pay off my house?

* * *

Breakfast for two?—Tom Price & McAndrew & Co., Inc., is quite a man. He put away fruit juice, ham and eggs, toast, little cakes, coffee, etc. No wonder he smiles so pretty!

* * *

Diplomat—Charles B. Harkins of Blyth & Co. is the name. He knows how to handle people, and HOW.

* * *

Old Doc—Hodge H. Davidson, Bailey, Selland & Davidson, San Francisco, looked like a real medico in his snow white suit.

* * *

Minneapolis Boy Makes Good in S. F.—Jim Powell, Harris, Upham & Co., now in the San Francisco office, making friends fast. A big hello to you Twin City boys, says Jim.

* * *

Bartender's Friend?—Earl Thomas, Dean Witter & Co., was helping the bartender during the rush before dinner. Pocketing lots of the money left on the bar. The bartender looked at Earl and said, "Hey, stop stealing all the dough on the boss; can't you leave some for me?"

* * *

A Picture Snapper—Louis J. Spuller, Jr., Elworthy & Co., is a master at the art of taking pictures. He acted as the "Chronicle's" photographer for all pictures at this party.

* * *

Sweet Music—Armando Etiopi, accordion, and Mac McCarty, bass fiddle. These two smiling boys sing and play in a unique way! They are very much in demand at all "San Francisco" affairs and the Bond Club and traders won't consider any other boys for their parties but Armando and Mac.

* * *

Fire Builder—Richard R. O'Neil, Oscar Craft & Co., Los Angeles. Ask Jack Egan, First California Company, how Dick let him freeze.

* * *

Thanks a Million!—To Mr. & Mrs. Cliff A. Bishop, managers of Northwood Lodge, Monte Rio, Sonoma County, California, to the cooks, waitresses, and staff, we say thanks for making us so happy and contented over the glorious weekend at the Lodge, amid majestic redwood forests on the romantic Russian River.

Outlook for Cotton Textile Industry Termed Favorable Despite Recent Price Reductions

Claudius T. Murchison, President of Cotton Textile Institute, tells annual gathering of South Carolina Cotton Manufacturers no threat exists to sound and prosperous operations. Sees no sign of economic weakness.

Claudius T. Murchison, President of the Cotton Textile Institute, told members at the annual meeting of South Carolina Cotton Manufacturers Association at Asheville, N. C., on May 29 that reductions in some cotton textile prices have been notable, but no threat exists to the maintenance of sound and prosperous operations.

Dr. C. T. Murchison

"Within the past several weeks, the trade press has been filled with reports of numerous price revisions in the cotton textile industry," Mr. Murchison stated. "Although some of these revisions have been upward, the majority have been definitely on the downside and in a few instances the reductions have been notable. As is to be expected, the great number of such revisions occurring within so short a time creates a condition of market dullness in which both sellers and buyers may be hesitant in making large commitments. At least temporarily, the tendency is to test more fully the forces of supply and demand.

"Inasmuch as the interests involved are naturally conflicting, rumors and propaganda add to the uncertainty. During such a period there is no recourse except to examine anew the factors which are basic in the market situation. The mere fact of downward price revisions in particular instances may mean nothing more than a disappearance of sharp scarcities and the resumption of a healthy competitive situation. Certainly no one in the textile industry has been foolish enough to suppose that we would continue to have a sellers' market indefinitely. Mental preparation for the inevitable change has been made and there is cause for great satisfaction in the gradual, restrained manner in which the transition is being made in those cases where it is desirable.

"Recent developments, therefore, do not indicate in the slightest any threat to the maintenance of sound and prosperous operations. On the contrary, one may, without straining at all his business analysis, conclude that the present offers buying opportunities which will be temporary.

"We have gone through these periods of general questioning before only to find that our foundations were firmer than we thought. The general trend of industrial production has resumed its upward course since April and currently the rate of national income is probably at a new high peak. In the construction industries, activities are broadening, both in industrial construction and in home building. The automotive industries are still badly behind in their efforts to overtake consumption. The few signs of weakness hitherto apparent in certain specialty fields, such as radios and gadgets, will be more than offset in the coming months by the tremendous expansion programs in aircraft and other military equipment. The rise in interest rate is a matter primarily of government policy and in no respect indicates a tightening of the credit situation. The renewed strength in the securities markets and renewed interest in the flotation of new capital issues are strong evidence of an improved psychology and adequate investment funds.

"The decline in our exports during the past few months has been misleading as a business barometer. The full-scale inauguration of the European Recovery Program will take care of that problem. Within the next two or three months the export curve should be definitely upward. Cotton textiles will share in the increase. Although ECA funds tentatively allocated to textiles are limited, this does not have bearish implications because the general easing of the dollar market will permit much heavier transactions in the usual private channels.

"Income from travel is running high. In European nations visited by Americans sales of American goods are increasing. Among them are England, France and Belgium which bought considerably more cotton textiles from us in the first quarter than in the same period a year ago. In the first quarter, despite slowing down in demand, our exports amounted to more than 250,000,000 yards. If this rate is maintained, exports this year will top one billion yards.

"I see nowhere in our economic set-up any signs of weakness which have more than local and passing significance. On the other hand, every factor which is general and basic continues to be strong. In my opinion, we are still far removed from the time when fear should have any place whatever in our business calculations."

Customers Brokers Get Slate for Nom. Comm.

The following slate has been drawn up for a 1948 Nominating Committee for the Association of Customers Brokers: Raymond J. Kane, Wm. M. Rosenbaum & Co.; Emery I. Karman, Josepthal & Co.; Robert Lamont, Kidder, Peabody & Co.; Lawrence J. Moran, Smith Barney & Co.; Nicholas F. Novak, Drysdale & Co.; Ralph C. Runyon, Mallory, Adee & Co.; Michael Sommerfield, Hayden, Stone & Co.; E. Frederick Uhrbrock, Jr., Vilas & Hickey; John Lowther, Eastman, Dillon & Co.; Henry Parmelee, Cohu & Co.; Wallace Stewart, Goodbody & Co.; Paul Morton, Peter P. McDermott & Co.; Bill Clift, Reynolds & Co.; A. M. Travers, Baker, Weeks & Harden; John Tucker, Fahnestock & Co.; Harry Corbett, Gude Winmill & Co.; Thomas Bowes, Bache & Co.; John Hart, E. F. Hutton & Co.; John Gordohn, Steiner, Rouse & Co.; Harold Strohm, Stillman, Maynard & Co.; Sol Fink, Hirsch & Co.

Alternates—Arthur Messing, Herzfeld & Stern; Alexander Foldes, Abraham & Co.

The Committee will be voted upon at the Association's quarterly meeting June 16 at 4 p.m. at Schwartz' Restaurant, 56 Broad Street, New York City.

Members of the 1947 Nominating Committee which presented the slate are:

H. E. Broadfoot, Hayden, Stone & Co., Chairman, and Arthur J. Hansen, Francis I. DuPont & Co., Secretary, and also composed of William Cogswell, Fahnestock & Co.; Walter E. Hoskins, Eastman, Dillon & Co.; Milton Leeds, Pershing & Co.; Ralph A. Rotnem, Harris, Upham & Co.; Frank A. Saline, James M. Leopold & Co.; John J. Tuffy, Stokes, Hoyt & Co., and Kenneth Ward, of Delafield & Delafield.

Kehoe, Randle, Mgrs. Of Stern Chicago Office

CHICAGO, ILL.—Effective June 1, John Kehoe and Foster S. Randle, Jr. became co-Managers of the Chicago office of Stern Brothers & Co. in the Board of Trade Building. Mr. Kehoe was formerly with the Northern Trust Co.; Mr. Randle was with First Boston Corp.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

A firm tone is in evidence in the government market with displays of strength being noted from time to time in specific issues and groups. . . . The partially-exempt obligations have been giving a good account of themselves, as have the 2s due 1952/54 and the 2¼s due 1956/59. . . . Activity has picked up, even though part of this may be attributed to professional operations. . . . Investors nonetheless continue to dominate the market in their movement from low income issues into the higher return obligations. . . . Demand appears to be rather widespread, with large and small institutions engaged in making switches or new investments. . . . Inquiries do not seem to be confined to any particular section of the country. . . .

Despite the betterment that has taken place in prices of partially-exempt obligations, the demand is still sizable, especially from institutions that are in need of tax protection. . . . Purchases of top-grade state and municipal bonds were made by these buyers in the recent past, but they are now back in the government market since it is indicated the Treasuries look more attractive to them now, all things considered. . . . Price weakness would be welcomed by these purchasers, as buying opportunities. . . . Profit-taking in the partially-exempts has been rather minor, showing that the limited supply of these obligations is in strong hands. . . .

RESERVE SELLING

The Central Banks last week disposed of $15,650,000 of government bonds with all of these coming due in more than five years. . . . This is part of the stabilization operation that will be continued in order to keep the market for the higher income obligations within limits. . . . Although it is not indicated what issues were sold by Federal, reports coming from certain quarters are to be the effect that the principal elimination was in the 2¼s due 1956/59, followed by the 2½s due Sept. 15, 1967/72, which were disposed of in much smaller amounts. . . . There have been fairly large inquiries in the market for these two securities. . . .

GOOD DEMAND

The eligible taxable 2s have been in demand, with investors taking on varying amounts of all maturities from the '49/51s up to and including the '52/54s. The largest commitments evidently are being made in the '52/54s with buyers being attracted by the present yield and the prospects of price stability. . . . They appear to be assuming that the inflation spiral will not worsen enough to bring about changes in short-term rates, at least until after the election next fall. . . . Some hold that it will be longer than that before there will be need to consider modifications in near-term rates. . . .

Savings banks in addition to taking on selected new corporate issues are both buyers and sellers in the government market. . . . Commitments are being made in the longer maturities of both the eligible and tap issues, since income continues to be important to these institutions. . . . Liquidation is going on in limited amounts in the shorter maturities to meet demands of some withdrawals that are being made by depositors, with the proceeds evidently finding an outlet in the equity market. . . .

SUPPLY INADEQUATE

Dealers and investors are of the opinion that the market for government bonds would broaden considerably and activity step up if the supply of Treasury securities were increased. . . . Investors and traders are cautious about making commitments, because in certain issues the market is very thin and this makes them subject to wide price movements. . . . Good-sized switch orders in more instances than one are being held in abeyance because the securities that are being sought appear to be in short supply. . . .

It may be that the monetary authorities will see fit to let out more securities as time goes along, so that the needed obligations can be obtained by investors. . . . Such a development should help to iron out the bulges that are appearing in certain obligations. . . . It would add to the orderliness of the market. . . .

SURPRISE!

Raising of reserve requirements of member banks in New York City and Chicago by the Federal Reserve Board from 22% to 24% came as a surprise and brought in some liquidation of "short" as well as a minor quoting down of the long bonds. . . . Volume was very light. . . . It is indicated the larger requirements will be met by sales of short-term securities and smaller takings of bills. . . . Any weakness in the "longs" would bring important buying into these obligations. . . .

A general change in reserve requirements of member banks is not looked for in the financial district for a long time to come despite the Federal Reserve Board's recent presentation of needed modifications, before the Joint Economic Committee of the Congress. . . . This one is certainly loaded with "political dynamite" and the banks that would bear the brunt of the change have been known in the past to go to work on their Congressional Representatives, when their interests are about to be affected by proposed legislation. . . .

San Fran. 'Tapeworm' Again Issued

SAN FRANCISCO, CALIF.—The San Francisco Bond Club has again issued their humorous newspaper "The San Francisco Tapeworm." It has to be seen to be believed.

Editor of the "Tapeworm" was Benjamin Brindley, Blair & Co., Inc. A. E. Ponting, Blyth & Co., Inc., was manager, and Elmer Booth, R. H. Moulton & Co., and Lester Empey, American Trust Co., were special correspondents.

Rambo Honored by King of Sweden

PHILADELPHIA, PA.—Ormond Rambo, Jr., Vice-President and director, Rambo, Close & Kerner, has been named Knight, First Class, Royal Order of the North Star. The honor was conferred by Gustave V, King of Sweden, in recognition of Mr. Rambo's outstanding work in furthering the cultural relations between Sweden and the United States. Mr. Rambo is President of the American Swedish Historical Foundation.

Public Utility Securities

Survival of the Holding Company

The Public Utility Holding Company Act was passed by Congress in 1935 and during the early 1940s it was widely assumed that the SEC would destroy nearly all the holding companies through forced liquidation. Issuance of the "death sentences" seemed to bear out this opinion, with a resulting bear market in utility securities in 1942.

But it has become gradually realized that Congress did not mean to legislate the utility holding company out of existence. It provided the "grandfather clause," giving exemption not merely to a legitimate holding company, but also to a "grandfather" holding company superimposed thereon (the third generation being of course an operating company). Congress did, however, give the SEC large powers to "police" the holding companies—to reduce the territorial limits of each system to a group of adjacent states, to see that subsidiaries were interconnected where this was reasonably practicable, to simplify the capital structure of the holding company, and to bring the financial and accounting structure of the whole system up to satisfactory standards.

The SEC has proceeded to do this and while there may be justified criticism over the "toughness" of some accounting and financial policies, the Commission has certainly succeeded in wiping out the financial excesses of the 1929 period. The SEC has been somewhat more liberal with respect to the territorial extent of certain systems than had been expected, and in some cases it has permitted systems to retain important transit and gas properties—although its policies have been inconsistent in this respect.

We now have a number of holding companies, the integration programs of which are virtually completed:

American Gas & Electric
Columbia Gas & Electric
New England Gas & Electric
New England Electric System
Southwestern Public Service (formerly Community Power & Light).

In addition, several new holding companies have been created (taking advantage of the grandfather clause):

Southern Co. (Commonwealth & Southern System)

Texas Utilities Co. (American Power & Light System)

"ALMNO" — (proposed subholding company in Electric Power & Light System).

American Power & Light has also considered using one of its operating companies in the northwest as a holding company if it is unable to merge its two principal subsidiaries in that area.

The following holding companies have accomplished a great deal of their integration programs, and the systems may be permitted to continue subject to some adjustments:

General Public Utilities
North Amercian Company
United Gas Improvement
United Light & Railways
American Light & Traction
American & Foreign Power
West Penn Electric
United Corporation
Long Island Lighting
Cities Service (will continue as oil-gas system).

Electric Bond & Share will probably continue in existence with three principal interests—American & Foreign Power, United Gas and Ebasco. Philadelphia Company will probably remain (it is uncertain as yet whether it must give up its gas and transit interests); it might eventually be merged with the top companies, Standard Gas & Electric and Standard Power & Light. Public Service of New Jersey will disappear July 1, being replaced by its operating subsidiary, Public Service Electric & Gas, in recapitalized form. North American Company's status remains a little indefinite; it would like to retain in the system all its utilities as well as its important coal subsidiary, but the SEC has not yet indicated its views.

Commonwealth & Southern is now making rapid progress toward dissolution. Others which seem slated to disappear are American Power & Light, Electric Power & Light, New England Public Service and Niagara Hudson Power. Middle West should complete its liquidation this year, and North American Light & Power as soon as the courts decide about participation of the common stockholders. International Hydro-Electric would like to remain in existence—a class "A" stockholder and director recently appealed to the SEC to keep the company alive, although six dissolution plans are awaiting the Commission's perusal.

There will, therefore, be quite a respectable quota of holding companies remaining after the SEC has finished its job. Perhaps new ones will be created from time to time to manage and finance groups in individual states. Such holding companies would deal with a single state commission, and would help to provide equity financing and engineering counsel during the period of heavy construction. In any event, the holding company will continue to play an important role in the utility industry.

SEC Member Stresses Necessity of Common Stock Utility Financing

Commissioner Richard B. McEntire points out continued growth of construction needs, and emphasizes importance of strong common stock position of utility companies.

Writing in the June 3 issue of the "Public Utilities Fortnightly," Commissioner Richard B. McEntire of the Securities and Exchange Commission, called attention to the magnitude of the electrical industry's construction program and the necessity of financing a substantial part of the cost through issue of common stock. According to Commissioner McEntire, the utility construction program calls for installation of 5 million kilowatts in 1948 and 15 million kilowatts in the four years ending 1951, and informed estimates already indicate that for this latter period total new capacity of between 20 and 23 million kilowatts will be required. Capital expenditures of as much as $10 billion are envisioned, or annual cash requirements of between $2 and $2½ billion. Cash available from internal sources is estimated roughly at $700 million per year, leaving approximately 1.3 billion dollars to be raised annually in the money market during this four-year period.

Richard B. McEntire

"Most significantly," Mr. McEntire points out, "the industry appears to face a long period of large-scale expansion rather than a finite four-year program, as was assumed a year ago. The tightness in the power situation, the exhaustion of reserve capacity, the high load factor and the prospects for even large energy requirements indicate that the end of this expansion is difficult to foresee.

"The continued growth of construction needs and the longer duration of the program now in prospect emphasize the importance of a strong common stock position. As the program has become increasingly long range it has cut the ground from under those who advocate 'temporary' relaxation of conservative financing practices, expecting to regain an adequate base of common stock when the pressure of construction has eased." The article urges strongly that the expansion program be soundly financed as its proceeds.

During 1947 investors absorbed almost $300 million of utility common stocks, about ⅔ as a result of holding company divestment and ⅓ as new issues for cash; approximately 50 million dollars of new utility common stocks have been sold for cash thus far this year, despite the dull markets which have characterized much of this period. Offerings of common stock to stockholders have enjoyed marked success and give added assurance that common stock financing is entirely feasible. Recognizing that speculative interest of certain stockholder groups is frequently responsible for management's reluctance to offer additional common stock, Commissioner McEntire states: "The longer-term financial strength of the industry is, to my mind, wholly inconsistent with the injection or preservation of needless leverage in a public utility common stock." The objective should rather be a capitalization ". . . with sufficient equity to insure the company full liberty in additional financing and to permit it to face contingencies with reasonable assurance. The emphasis, in fact, should be on overstrengthening the financial structure in terms of today's markets in order to cope with the vicissitudes and demands of tomorrow."

W. P. Johnson Is Admitted to Partnership

Wentworth P. Johnson, for the past 18 years Vice-President of the Irving Trust Co., has been admitted to partnership in the New York Stock Exchange firm of Neuberger & Berman, 160 Broadway, New York City.

From 1940 to March, 1948 Mr. Johnson was in charge of the Irving Trust Co.'s office at 48th Street and Rockefeller Plaza. He is also a director of Edo Aircraft Corp., Long Island.

H. Ralph Levy and Philip A. Straus have also been admitted to partnership in the firm.

Admission of the new partners to the firm was previously reported in the "Chronicle" of May 20.

John A. Doody With J. G. White & Co. Inc.

J. G. White & Co., Inc., 37 Wall Street, New York City, announces that John A. Doody has become associated with the firm's municipal bond department. For the past six years Mr. Doody has been connected with the New York office of The Ranson-Davidson Co., Inc.

Should We Subsidize Housing?

(Continued from first page)
activity to combat the future threat of unemployment and depression, while we are worried about the current inflation of wages and prices.

These contradictory motivations, all deeply imbedded in the popular mind, feed the Federal Public Housing program which is now a decade old and is still growing. New life is being breathed into it by public spending on both the Federal and the local level. Billions of dollars have already been spent, but if the highly controversial Taft-Ellender-Wagner bill now pending in Congress should become law, the spending spree really will get under way. That bill proposes to pour out at least seven billions in Federal donations and in loans involving commitments which extend into the last decade of this century.

That is the way our minds are organized. Call it natural optimism or wishful thinking, we like to live by the precept of eating our cake and having it, too. Our national Administration as well as Congress have produced several classics in the field, such as proposing higher wages and lower prices simultaneously. The idea of combatting inflation and guaranteeing farm prices simultaneously—to have more money to spend and see prices fall, too — is a jewel of that epistomological fabric. Or, take our foreign policy. Germany was to be de-industrialized and at the same time to be restored to her part in Europe's economic structure. Russia was bolshevik, and is bolshevik, we knew it all the time, but we took it for granted that she would behave as if she were not bolshevik.

More often than not, public opinion is guided by such and similar "logic." We know very well, or most of us do, that government in business is undesirable. It is inefficient, subject to political malpractices if not outright corruption. Government in one business opens the doors for government in another business. When it comes to housing, we just ask for more government in business.

Public housing means subsidized housing—housing which rents for less than its market value. The idea being that rather than to deal with the poor and ill-housed families through temporary relief and support, it is preferable to build new houses for them and take a loss on the operation. It does not occur to anyone—oh yes, it does occur, but only to Marxists — to clamor for nationalized automobile production, for public food growing, or for governmental clothing manufacture. The same argument could be used for cars, or steaks, or winter overcoats: that poor people cannot afford enough of them, or not "decent" ones; therefore, the government should start automobile plants, cattle ranches, and what have you, the output to be sold at a discount to the selected poor.

II

But **who are the poor** who are supposed to be the recipients of public housing? The original legislation — the U. S. Housing Act of 1937 — requires the tenants to be from "families in the lowest income group." Local housing authorities have interpreted this as meaning maximum incomes of anywhere from $1,200 to $3,000 per year for admittance and have permitted tenants to continue their occupancy (with mild admonishments) with incomes from $5,000 to $13,000. All in all, the families throughout the country in public housing have an average income of about $2,200 today. Now then, there are at least 20,000,000 families in the United States with no more income than that, thus qualifying for a nice new home. Suppose, very conservatively, that each dwelling unit costs $6,000 only — most of them cost that at pre-war rates of building wages. At today's cost, the total outlay would amount to between $150 and $200 billions (not mentioning special tax provisions). Just imagine adding that much more to our already astronomical national debt.

But we could not do it if we wanted to. Given our limited capacity to produce the necessary materials and to provide the labor force for more than 1,500,000 homes a year, plus the need for essential industrial, municipal, and Federal construction of all kinds, we could not possibly build more public housing units than 500,000 a year. Even the Taft-Wagner bill, the largest ever considered, figures on 125,000 new units a year only. In other words, it would take a whole century to give a home to every family under the official minimum income, leaving aside the fact that the **cost of producing the homes would sky-rocket** further if such an inflation-provoking program, or even a part of it, were to be attempted, and to say nothing of the prospect that **at the end one-half or more of all American homes would be owned and operated by the government.**

The implications of vastly expanding government ownership of homes are manifold and tremendous. One, that is entirely overlooked in the current discussion, is worth most serious consideration.

By what process of selection will the government decide where public housing should be erected? If the procedure is followed that is usual today, subsidies will be provided for cities which have blighted areas or which ask for subsidies. At any rate, over-populated centers are the ones to be favored, having as a rule the worst housing conditions. Now then, one factor inhibiting immigration into those centers is housing shortage. Providing dwellings, say, in Chicago, Los Angeles and Buffalo, would have the effect of attracting people from lower wage areas. The result would be to accelerate the process of metropolitan concentration, to increase population density and create more housing bottlenecks in the already blighted areas, while depleting rural regions and small towns, thus aggravating the very problems which are supposed to be solved. In small towns, on the other hand, a housing surplus may arise, and at any rate, real estate values would fall. Industrial locations, too, would be deeply affected. In other words, our whole economic geography and structure would be at the mercy of bureaucratic or arbitrary decisions—or else a Planning Authority would be needed to decide who is going to live where, and what industry would be located in what area.

III

However, let us take a look at some **social aspects** of a major home building program carried out at public expense. Obviously, at any time only a few of the potential tenant candidates could get consideration. **How should one select the tenants?** Should the homes and apartments be auctioned out to the highest bidder? Of course not, for the highest bidder can get satisfactory private housing for himself. Should they be given away to the most needy? The easiest way to find the most needy would be to start at the bottom and work up the income scale as far as the available government housing would extend. This would mean some annual income figure under $500 today because according to official statistics, there are enough families in that bracket alone to occupy all of the existing government housing.

But then we are confronted with the question: **should the man who earns less than $500 be better housed than the man who makes $600?** Government housing, of course, is better housing (physically) than that which a $600 income can command. Everyone can see that this is highly discouraging to the man whose income is just a little too high to qualify. It would result in a **negative incentive:** to work less and earn less so as to qualify for better housing, as it has actually happened.

So then, say the theorists, build more public housing to take care of the $600 families. When this is accomplished, if ever, the $700 and $800 families are cheated, and so the dilemma is endless.

The only way in which public housing would be fair, even in theory, is to provide a poorer quality of housing to each lower income group. Naturally, the dealist government housers would wash their hands of any plan to provide housing of lesser standard than now exists in the poorer neighborhoods. As a matter of fact, there is no way to build a 45-year-old house.

Unfortunately, the fact that public housing is patently unfair did not stop its proponents from experimenting. They simply avoid the whole problem of social fairness by setting their own **arbitrary standards of tenant selection.** The result is that the projects serve selected groups of the middle class, not the poor. It could not be otherwise, for evident reasons.

Middle income tenants are easier to handle, react better to social direction and rehabilitation, are better housekeepers and property guardians, and in general enable the public housing officials to turn in better "progress" reports to their Washington superiors. Having **claimed** that public housing would reduce crime and disease, the masters of the program naturally did not care to fill the projects with groups subject to social deterioration.

IV

To say that **public housing** is from a social point of view a sterile enterprise, is to put it mildly. It does not and **cannot improve inequities in the housing situation.** What is more, it creates new inequities, and as a matter of fact, it tends to make impossible a lasting solution of the housing situation.

Supose we would proceed with public housing, say, on the level of the Taft-Wagner planning. The obvious result (disregarding the social implications discussed above) would be two-fold. Evidently, labor and materials would have to be drawn into public housing projects, and so much less would be available for private housing. Public construction would either compete with the private and would have to offer higher prices, raising the cost level all around; or else, a system of governmental allocation would have to be introduced, giving the public authorities priority over private constructors. In either case, the net **result is bound to be less homes for those who are not subsidized.** The more people in the $1,500 bracket, as an example, would be supplied with homes, the less those in the $1,600 bracket, and above, would be able to build for themselves. Housing would tend to become the privilege of the selected few who cannot afford to buy it.

A second consequence should be equally evident.

As more homes are built on public expense, a proportionately larger share in the **cost of municipal services devolves on the privately owned homes.** Public housing advocates claim that their tenants carry their proportionate burden for utility expenses, a very controversial claim. At any rate, public housing is exempt from municipal taxes and certainly does not participate in such expenditures of local authorities as for the maintenance of schools and similar services which do not benefit directly the individual home owner. In other words, as public housing progresses, the tax burden on private homes will grow. In final effect, we are supposed to finance a minority of privileged home owners so as to destroy the ability of all but the richest American families to own homes of their own. Consequently, **more and more people would ask, and indeed require, subsidized housing.**

V

The **inflationary effects** of any major public housing program should be obvious. The competition of public authorities with private enterprise in the construction field necessarily would raise costs and therefore prices more than proportionately. It is common experience that where political favors enter the construction field, compromises with and special allowances to **organized monopolistic groups,** already the course of the building trades flourish. Certainly, a protracted public housing program will not dislocate entrenched monopolistic interests.

And who would pay for large-scale public housing? It is out of the question to burden the taxpayer additionally, given the high level of Federal and local taxes. The choice would be between increasing the direct national debt, or issuing special bonds guaranteed by the Treasury. In either case, a **new impetus** would be added **to the monetary inflation** which has already reached such dimensions as to call for severe control. Instead of controlling inflation, we would pour oil on the fire of a rising monetary volume and of sky-rocketing costs of living.

VI

Public housing officials frankly admit that 20-40% of their tenants have "excess incomes." Undoubtedly the figure is actually higher because Congressional investigators found marked differences between the actual earnings of tenants and the incomes listed in the official project records. The employer of a Chicago tenant who listed his annual income as $1,250 revealed the tenant's actual receipts to be $3,275. A Dallas, Texas, tenant was found to be earning $2\frac{1}{2}$ times the amount shown on government records on which his rent was based.

Is the prevalence of high incomes in government housing due to present eviction difficulties? This is more of an excuse than an explanation. Most of the projects are continuing to admit families whose incomes are definitely not in the lower levels. New York low rent subsidized projects are accepting today families with incomes as high as $3,600*; and $2,000 to $3,000 limitations are considered normal in most of the big cities. One look at the national income statistics shows that there are millions of families with incomes substantially below $2,000 which are being overlooked in favor of the higher income families. (Exactly the same thing happened in the pre-Hitler public housing projects of Germany and Austria.)

Occupants of public housing represent almost every social, economic and occupational level. City employees, bank personnel, railroad workers, lawyers, firemen, bookkeepers, plant foremen, and hundreds of other professions are reported in public housing. Only a casual observation is necessary to see that those tenants can afford good clothes, good service, good recreation, good meeting rooms, and good automobiles. The late model cars are particularly conspicuous parked around what is supposed to be a housing project for the poor people. In Southern public housing projects tenants often have maid service.

The selection of tenants for housing units at subsidized rents offers an **unparalleled opportunity for patronage and political favoritism.** In Pittsburgh, Pennsylvania, 80% of the public housing tenanats "happen" to be members of the incumbent political party. The "Congressional Record" of June 9, 1947, describes the compulsory political campaign contributions of employees and tenants in the San Diego project. In Atlanta, Georgia, the amount of union dues must be stated on the application for government housing.

VII

In spite of these developments, which of course were to be expected, the public has generally tolerated government housing because it considered it to be a **slum clearance** program, for the rehousing of slum dwellers. Of the thousands of propaganda pamphlets prepared on the subject there has never been one that failed to show "before" and "after" pictures with carefully staged slum scenes arranged on pages opposite photographs of shining new government units filled with smiling tenants. However, in actual practice, from the very beginning the slum clearance ideal has been relegated to the background.

The Housing Act requires the elimination of one slum dwelling for every public housing unit constructed. Three loopholes have negated the Congressional intention. First of all, the slum dwelling eliminated need not be on the site chosen for reconstruction. Just how many houses, already destined for elimination in the normal course of events were counted by the public housers as eliminated under this program will never be known. Secondly, the repair of a substandard dwelling was held to constitute slum elimination. Finally, the public housers could declare a local housing shortage and waive this requirement "temporarily."

All told, 11 of the first 41 projects under the USHA did not eliminate a single slum house and nine more resulted in tearing down fewer than 50 per project.

A classic example of the pseudo-slum-elimination by public housing can be found in Savannah, Georgia, where the slum dwellings on a proposed public housing site were sold, put on rollers, and moved across the street where the former occupants continued to live in them.

Nor has the lot of the slum occupants improved. In Omaha, Nebraska and Atlanta, Georgia, it was found that not a single family living in the area rebuilt with public funds was admitted to the finished housing project. In Atlanta, it was simply a case of arithmetic. Surveys showed the slum dwellers to be paying a monthly rent of from $2.50 to $3.50 per room. The minimum government housing rental was set at $5.50 per room, double what the site occupants could afford (in spite of all subsidy!). In Youngstown, Ohio, the city building inspector made a careful survey of a proposed public housing site and found that of the 160 families in the area only two "qualified" as public housing tenants.

Not only has the practice of clearing slums with low rent projects failed, but the theory itself is now considered unworkable. As Senator McCarthy, Vice-Chairman of the Joint Congressional Committee on Housing, has said, "Our studies show clearly that **slum clearance and low rent housing are separate problems.** We have found that most slum areas are

*The New York City Housing Authority has just voted the income limit of $3,984 annually for veterans entitled to public housing at a monthly rental of $16 a room.

not even suitable for housing of any kind and should be devoted to commercial, industrial or public uses." **(boldface ours.)**

As a matter of fact, slum clearance could never have advanced far, attached to the apron strings of public housing. It was like buying a hat to get the feather, paying $5,000-$10,000 for a new housing unit, to accomplish the destruction of one slum dwelling. It may have been the public's own negligence that it never learned to separate slum clearance from low rent housing, but no public housing official ever has exerted an effort to clarify the issue.

VIII

Public housing can build houses—at high costs—but it cannot accomplish the social objectives of clearing slums and providing housing for families in the low income classes. This failure is not accidental. Nor is it due to a limitation of the means available. The more money and effort are devoted to subsidized housing, the more apparent will be its social failure and its economic drawbacks.

However, given the lack of clear thinking on the subject and the shrewd ability of pressure groups and sentimentalists to exploit the public, further experimentation along the same unsuccessful lines is a likely prospect. We will learn that public housing is unwise, if not disastrous, but we may have to learn it the hard way—by spending many billions, fostering cost inflation, impairing real estate values, and scrapping the American principle of private home ownership.

The Economic Outlook

(Continued from page 4)

certain cotton constructions which not long ago had shown signs of weakness.

(3) Further evidence of demand in the increased amount of buying on credit, both on the installment plan and through regular charge accounts. According to recent estimates of government agencies, purchases on credit in 1948 will likely exceed the $3.2 billion of 1947. This is attributed partly to the fact that Regulation W was not relaxed until late last year. But collections already are causing concern in some cases.

(4) A fourth factor related to demand is the attempts of organized labor to receive a third round of wage increases, referred to before in connection with purchasing power. Despite the growing evidence of resistance to such demands, it is highly probable that upward adjustments will constitute the pattern in the next few months. But some strikes have been lost recently and labor leaders appear less confident of public support than formerly. The outcome of the Chrysler situation, that threatened General Motors work stoppage, and the soft-coal negotiations will have a telling effect on the whole industrial system.

(5) Prospects are bright that 1948 will prove to be a very active year in home construction. But the housing problem involves many elements and its solution may be far off. If such activity does occur it should result in a substantial demand for construction materials as well as for home furnishings and appliances. In April, incidentally 70% of stores reporting to NRFA showed sales increases, 30% declines.

(6) Government fiscal policy, as well as the attitudes of bankers themselves regarding credit extension, is another factor of importance. A governmental budget of some $40 billion a year cannot but have a tremendous influence on our entire economy. Let us all fervently hope that the time has not come when we will continue to accept such a budget with complacency. If we do, our economy will undergo a significant change and the results will not all be good. While an increase in bank loans may be a relatively small factor in the over-all inflationary potential, it is a matter to be watched with care. And, although the extension of reasonable credit is essential to the preservation and enlargement of business activity, in periods such as the present, loans should be scrutinized with increasing caution.

(7) In addition to the factors mentioned, there are numerous others to which only brief reference may be made. The enormous amount of money in circulation—some $29 billion but with some decline in recent weeks, the increases in freight rates, the prospect of higher meat prices, the expectation that vacation travel this year will exceed all records, the tremendous backlogs of orders in important industries, and the publicized predictions of governmental agencies, notably the Treasury Department, that prices will continue to rise, are all on the inflationary side.

Factors Tending to Stabilize or to Contract Our Economy

Now, let us turn and examine some of the more important influences that are tending stabilize or contract the present level of business activity.

(1) There is evidence of increased consumer resistance to present prices and some price adjustments downward have already taken place. The sharp break in commodity prices in February caused most consumers to doubt the stability of the price level for all goods and to delay purchases while they hoped for lower prices. And this skepticism was shared, likewise, by retailers themselves. A spirit of caution in buying commitments prevailed generally. A rather disappointing Easter business added strength to their fears and they adhered rather closely to a "middle-of-the-road" policy. During the past two or three weeks, however, this attitude has been changed to one of increasing confidence in the stability of business activity in the foreseeable future. For example, there is evidence that many large furniture retailers are ending their cautious buying policies of the past five months and are ordering medium-priced case goods in some quantity. It is too early to judge whether this move will expand into other lines but indications are that it might.

(2) A broad program sponsored by the government is now being conducted to increase the sale of U. S. Security Bonds and to siphon off some of the purchasing power of consumers. Timed to coincide with deductions in withholdings from wages and salaries because of the new income-tax law, the bond drive is meeting with favorable response. Retailers have given support to this move.

(3) Closely associated with, or perhaps more correctly a part of, consumer resistance to high prices is the significant amount of trading down that has taken place in recent months. This is evidenced by the increased volume of basement store business in relation to that of the main store, by the shift of consumer purchases from independent stores to chain stores in their search for lower prices which, incidentally, is causing dry-goods jobbers considerable concern, and by the decline in sales of luxury and semi-luxury merchandise. Further evidence is supplied by the decline in unit transactions, and the increase in merchandise returns. It is doubtful if consumer income will increase to the point where any extensive return to trading up will take place.

(4) Price reductions in many lines of industrial and consumers' goods should prove to be a stabilizing factor even though a temporary one. Effects of price reductions in steel and electrical goods cannot be appraised at this time, but recent favorable response by consumers to promotional events has demonstrated the underlying strength of purchasing power at levels somewhat beneath current market prices. Moreover, it has convinced many retailers that lower prices are needed this fall to insure satisfactory and profitable sales volume despite the improved outlook in recent weeks concerning consumer income. "Get prices below consumer resistance points" is the objective of many retailers in planning their operations for Fall.

(5) There is ample evidence that in many lines supply is catching, or has caught, up with demand. Auto tires and radios are good examples. In fact, some informed sources believe that current price reductions are the result of the return of real competition among sellers and that when such reductions are passed along to final users of the products they will contribute materially to price stabilization.

(6) A factor of considerable importance is the inventory situation. During the first quarter of this year business inventories increased some $4 billion. In March alone the increase was $1.44 billion, with retailers' stocks rising $947 million. This latter increase, however, was primarily among dealers in lumber, building materials, and hardware. Department and clothing stores showed a slightly more than seasonal rise. What will happen during the remainder of 1948 is difficult to estimate. It would be reasonable to expect a tapering off. But, if business men become convinced that we are entering a period of scarcity, inventories will likely increase still further. If, on the other hand, supplies increase faster than defense and foreign requirements or customer demand is less than expected, the threatened scarcities may not develop and management may act promptly to stop accumulation of inventories.

(7) The normal growth in our labor force, as well as its elasticity, should offset to some extent at least the expected tightening of the labor situation I referred to a few minutes ago. Assuming that there is no important slack in our labor force at present to meet the scheduled increase in production, two encouraging factors deserve mention. One is the normal annual increase in our labor force of about 700,000, and the other is the "elastic" nature of our working force. Retailers, for example, can draw increasingly upon part-time employees, those with physical handicaps, those who have retired. Effects of the proposed draft, of course, should be considered also in connection with our labor force.

(8) In the opinion of some observers, our economy is flexible enough to absorb reasonable additional defense appropriations without further inflation. As the Council of Economic Advisers has stated, that ERP will involve an export surplus in 1948 "at least $2 billion below the level the council . . . contemplated (in October) and found to be safe. . . . This leaves room for the safe absorption of a defense program of considerable magnitude . . . (and) in terms of its general impact upon the economy . . . would seem to be something the country could readily take in its stride."

(9) The outlook for supplies—both agricultural and industrial—is good. Our domestic crop outlook is favorable and that for Europe particularly improved. Increasing imports reflect the growth in production abroad. Moreover, **barring serious strikes**, industrial production in this country should continue to rise gradually and steadily as a result of some growth in the labor force, increased output per man hour—because of better plant and equipment installed at record-breaking rates over the past two years, longer training and experience, and the gradual subsidence of labor unrest, increased flow of materials and fewer bottle-necks, and the turning of a larger proportion of current production into current consumption as inventories reach the saturation point.

On balance, inflationary factors and those tending toward stability and deflation are not as unequal as commonly believed although inflationary trends are now in the ascendant. The demand situation is bright and so far as the supply outlook is concerned, no important shortages should develop except in the metal trades. **My guess is that the total physical output of goods and services in 1948 will exceed that of 1947 by 4-6%.** There appears to be no prospect of any shortage of capital or credit necessary to conduct a larger dollar and physical volume of business. In my judgment, a conservative estimate is that there will be a moderate rise in the price level during the remainder of the year assuming (1) that the cold war does not turn into a hot one, and (2) that our defense program is not substantially enlarged beyond what is now contemplated. My guess is that the wholesale price level in December, 1948 will be very little more than 5% above that of December, 1947.

Some Responsibilities of the Retailer in the Present Situation

The retail picture has improved during the past two months and at this time there are no signs of any decline during the remainder of the year. But the retailer's business during this period will be what he makes it. In conclusion, may I offer a few suggestions for **your** consideration? I believe they constitute important responsibilities on your part.

(1) Stick to a middle-of-the-road policy. There are still many uncertainties—present and potential—in the situation and this seems the safest course to pursue. Although such a policy may prevent you from "making a killing" if certain conditions develop, it will also prevent your taking a loss if other conditions come to pass.

(2) Maintain reasonable caution in your buying commitments. Do not enter into speculative buying practices! The present inventory situation should make such a warning unnecessary but there is danger that some, over-awed by the size of appropriations for defense, may be tempted to "take a gamble." Your buying activities in the months immediately ahead will determine if and when the standby machinery for price and rationing controls recommended by the Council of Economic Advisors will be established.

(3) Pay increased attention to well-balanced stocks of merchandise. There is need for improved stock control, for making prompt price adjustments on items unacceptable to customers at present prices, and for revising model stock plans to place less emphasis on higher-priced lines.

(4) Get your prices below present consumer resistance points. Too many consumers have been priced out of the market. Shoe prices are a case in point. Price adjustments involve more than regrouping of your present stocks. They also include close cooperation with suppliers to obtain goods that can be sold at prices acceptable to consumers. While there will be resistance on the part of some suppliers to this move because of continued high raw material and labor costs as well as substantial order backlogs in some fields such as textiles and some house furnishings, only through effective cooperation can the desired results be secured. Better-balanced stocks with added emphasis given to lower-priced lines should operate to increase stockturn and the number of unit transactions.

(5) There is evidence that the buying public has taken care of its most urgent needs in household equipment, home furnishings and probably apparel and that attention will be turned more to the purchase of automobiles as the supply increases—**assuming strikes and shortages of raw materials do not prevent such an increase.** Consequently, greater promotional effort will likely be necessary to move many retail store lines. Food will continue, of course, to get an important part of consumer income as is shown by the fact that sales of five large grocery chains, despite some easing of prices, are running about 20% above last year.

(6) Prepare now to meet your personnel problems for this fall and winter. If the defense program expands, as well it might, these problems are likely to be serious and only careful advance planning will ease their solution. All logical sources of supply of employees should be investigated and the content and methods of training courses to be established late this summer or early fall for new and present employees should be agreed upon.

(7) Finally, exchange ideas and experiences with executives of comparable stores regarding the nature of present problems and methods of solving them. In my judgment the present emergency represents a distinct challenge to American business men of whom retailers are such an important part. Business leadership must not fail in the present emergency and if retailers will make the most of their accumulated knowledge and experience, exercise the sound judgment of which they are capable, and reveal the imagination and foresight upon which so many of our leading establishments have been built, one can but look to the future with confidence and optimism.

Sports Program for Bond Club Field Day

A comprehensive sports program, with a wide choice of events for participants and spectators alike, has been arranged for the Annual Field Day of the Bond Club of New York, it was announced yesterday by C. L. Morse, Jr., Hemphill, Noyes & Co., Chairman of the Field Day Committee. The outing, to be held at the Sleepy Hollow Country Club, Scarborough, N. Y., on June 4, is expected to attract several hundred members of the Bond Club.

An all-day golf tournament open to all members tops the sports schedule. William M. Rex, Clark, Dodge & Co., Chairman of the golf committee, has announced that this will be divided into three handicap classes and that two courses will be available to accommodate the large number of golfers who will compete. A hole-in-one will give all players an equal chance to demonstrate their best shots.

To enliven interest in soft ball, a special feature will be introduced to the game this year. Gardiner H. Rome, Stone & Webster Securities Corp. Chairman of the Baseball Committee, has issued a call to soft ball players to form teams for this event.

Other sports events include a tennis tournament for the doubles championship of the Bond Club, a horseshoe pitching contest and diving and swimming exhibitions by aquatic champions.

As We See It

(Continued from first page)

paigns as those in Oregon, and the apparent attitude of the people of a number of the Southern States, the really basic or critical issues of the day are hardly controlling. Hand-shaking, "baby-kissing," the willingness of candidates to assume all sorts of silly postures and to appear in shirt sleeves (or less), and much more of the same order often seem of much more influence in determining the choice of rank and file voters in the primaries. The President is being coached, so it is said, in speaking "off the cuff," because this is believed to give him and his utterances a "homespun" attractiveness which they otherwise lack.

Not Unusual

There is very little that is much out of the ordinary in all this. It is for that reason, perhaps, that it does not appear strange or inappropriate to the casual observer. Yet we cannot escape something more than a passing regret that in the critical world situation existing today, we have not proved able to approach what ought to be the time of prayerful choosing on a plane of greater realism, intelligence and dispassion. We boast much of our "two-party system." We are fond of telling ourselves and the world how much better it is than the "one-party system" recently exhibited in Czechoslovakia, and the multi-party system which has rendered a number of countries on the Continent so impotent in recent years. Yet many of us have often been obliged to wonder in what sense we really do have a "two-party system."

It is true, of course, that each of the major parties has its own patron saints before whom knees are bended upon all occasions, particularly at national conventions and the like. Not much meaning, however, can be attached to such things as this, and, in any event, there has been a tendency in recent years to drop some of the former orthodoxy in this matter. More than one "Democrat" in recent years has attempted, not always without a certain measure of success, to catch some of the reflected glory of "Teddy" Roosevelt. The catch-phrases, the slogans, the cliches, of the two leading parties also differ somewhat. By such means it would probably not be especially difficult to distinguish party platforms in recent years even if party and political names were blotted out, but if one had to choose between them on the basis of fundamentals, the task would often have been anything but an easy one.

What Do They Stand For?

The party convention dates are virtually upon us, yet how much discussion has been heard about what each or either of the major parties will promise for the next four years? A few, mostly oblique, references here and there; nothing more. The naive soul without knowledge of how these things work out in actual practice might suggest that in choosing candidates, the parties would *ipso facto* select at least in a general way the attitudes they wish to take on the broader issues of the day. It could be said, too, that the rank and file, in showing preferences for one candidate over the others, give an indication of their views upon public questions.

But only the most naive observer could possibly take much stock in such assertions. In the first place, it would be quite impossible to determine what many of the candidates believe about many of the vital issues of the day. Possibly it would be unkind to say that they, or most of them, have been only too careful that their positions not be made clear and unmistakable. It has long been one of our cannons of good politics to avoid such unequivocal commitments and to say nothing that would be unwelcome to any sizable group of voters. Unfortunately, platform pledges have likewise become a sort of mumbling to which no meaning can unequivocally be attached. What is more, no particular pains is taken to be certain that candidates and platforms match up, and when they do — so far as it is possible to judge such matters — the candidate is often at no pains to give the pledges of his party more than purely formal approval or deference. The Roosevelt record in 1932 is perhaps the most glaring example in recent history, but it is by no means the only one.

Current Example

To come specifically to the forthcoming campaign and election, it is difficult to understand how the Democratic party can come before the people except in defense of the New Deal in its entirety. It is, of course, well known that large sections of the party have never been in sympathy with much that President Roosevelt was doing in their name, but they supported him year after year, and in four Presidential campaigns in which he was in each case overwhelmingly returned to office. President Truman, not "on the cuff," but in numerous very formal and often repeated official statements, has placed his seal of approval upon all the essentials of the New Deal regardless of his attitude toward its former personnel. He has no such magic political touch as his predecessor, and it is certain that substantial elements in his party would like to "ditch" him, but, of course, it is logically impossible for his party to repudiate him without repudiating itself. Without more ado, it may be said that regardless of its platform, and without reference to its candidate, the Democratic party must either come before the public as an exponent of the New Deal or else as a self-confessed blunderer asking for re-election on the basis of its repentance for past transgressions.

The opposition is, however, in no such position. On the other hand, it does have a record of indecision, lack of cohesion, and an apparent inability as a party to make up its mind what it is or what it would do if placed in power again. It without much doubt has New Deal leanings, but how extensively so and in what particulars it remains difficult to say. It would be little short of tragic if the electorate is again this autumn obliged to go to the polls and choose between the New Deal and something else the precise nature of which it has no way of determining with any great degree of assurance.

Economic Uncertainties and Real Estate Loans

(Continued from page 7)

enterprise have not been, and, practically, cannot be, fully realized. The very use of the corporate device, as necessary as it may be, none the less disturbs that basic equality of bargaining power which is one of the fundamental assumptions of the free enterprise system. Monopolistic power in markets repeatedly raises its ugly head. Competitors will neglect their moral obligation to stand behind the integrity of their products, and various groups are constantly endeavoring to use political power to bend the service of the market to their own selfish ends.

Governmental intervention has thus to some degree become inevitable. Anti-monopoly laws, regulations governing the standards of competition, like pure food and drug laws, and other legislation aimed at the preservation of a reasonable equality of bargaining power are all completely in harmony with the philosophy of the system of free enterprise. The traffic officer at the corner, or even the mechanical lights, are aimed to promote, not to interfere with, the freedom of movement. As our economic society has become more complicated rules of the game, and umpires to interpret and apply them, became a reasonable and, indeed, an urgent necessity.

Disturbing Element

The disturbing element has been the tendency of governments to participate as players in the game. To some extent this too was inevitable. The urgent necessities associated with public health and education, with adequate highways, with postal service and intercommunication, with conservation of natural resources, with flood control and other great social objectives has led to direct intervention of government into the economic process. Such intervention has given rise to important questions of public policy about which there has been marked difference of opinion. It has not, however, disturbed the basic fundamentals of the system.

It is war that has all but wrecked the system of free enterprise! Modern war is a rapacious Moloch into whose hungry mouth we pour both life and treasure. The factors of production are diverted from human want satisfaction to wholesale destruction. The scope and urgency of war demand leads on the one hand to governmental controls of supply and on the other to balancing operations on the side of demand. Reliance upon purely peacetime, pecuniary controls proves impossible. The inadequacy of taxation forces a resort to inflation. The resulting price disturbances then necessitate further regulation through price controls, rationing, priorities, allocations, etc., all of which in the end spell the doom of the free market.

The corrosive effect of war on the system of free enterprise has been continuously operative since World War I. Early in that conflict the international gold standard broke down completely, and has never since been restored. Internal as well as external economic controls were applied by all the belligerents, and were merely modified, rather than eliminated, by the cessation of hostilities and the establishment of an unstable peace. During the inter-war period, the war destruction of capital, the undermining of the middle-classes, the surviving problems of reparations, and of intergovernmental debts and the intensification of international rivalries simply multiplies the difficulties which the war itself originated. Monetary manipulation and inflation, desperate fiscal expedients, and trade and exchange controls continuously bedeviled the international situation as well as the domestic economies of all the countries of the world. We had our postwar boom and the meretricious prosperity of the twenties only to be followed by the most disastrous collapse in our history. Monetary experimentation, deficit financing and the series of measures involved in the program of "relief, recovery and reform" did a little, but only a little, to get us back on our feet. Strange as it may seem, it took the Nazis and World War II to restore our economy to fulltime operation. Not until 1941 did our general level of prices get back to its 1926 position.

In World War II we simply piled Pelion upon Ossa in the further distortion of our economic system. Our war expenditures were fantastic. Despite an unprecedented expansion of taxation we heaped up a national debt of some $280 billion. Price controls, rationing, priorities and allocations were developed in our economy as never before. Tragically, the most important survivals of the free enterprise system were in black markets. The healthy and stimulating aspects of the normal operation of free enterprise were all but submerged.

Where Are We Now?

And where are we now? Military operations against our erstwhile enemies have ceased, but a new enemy, a former ally, has arisen ominously on the horizon. The hopes centered in the United Nations organization have been all but shattered. A so-called "cold war" involving enormous expenditure abroad as well as a stupendous rearmament program at home may easily necessitate a complete revival of wartime controls, the more irritating of which, although by no means all of them, were comparatively recently abandoned. At the moment, therefore, we have a sadly mixed system of private enterprise and governmental controls. If the world situation tends toward a World War III, then we can count on a further desiccation of the system of free enterprise and a corresponding reflowering of state socialism. In such an event economic control will be simply one of the tools of governmental policy and all private business calculations will have to be harmonized with the controlling objectives of government.

With this frame of reference as a background in our thinking the basic facts of our present economic and financial situation can be easily summarized. They are, perhaps, generally familiar to this company.

In 16 years our gold stock has increased from some four billions to over $23 billion and it continues steadily to increase. Money in circulation has expanded during the same period from about four billions to over $28 billion. Moreover about $24 of these $28 billion represent notes issued by the Federal Reserve banks, against which only a 25% gold reserve is required. The money of business is, however, the bank check, based on deposits rather than hand to hand money. Bank deposits about 1900 stood approximately at $8 billion. They expanded rapidly thereafter, with a slight decline in 1920 and 1921, until they reached a peak of $51½ billions in 1929. They dropped to below $37 billions in 1933. They were back to the $50 billion mark by 1939. Then followed the enormous war expansion. In December 1945 a peak of $148.9 billions was reached. Through the partial liquidation of the government debt this was brought down to $138.8 billion by January of 1947. Since then, however, the expansion of loans to private business has reversed the decline and total deposits today of all our banks are reported to stand close to the $150 billion level.

What is even more striking is the inflationary potential in our money and credit system. In the frist place, as already indicated, we are steadily adding to our basic gold reserves. We buy all the gold offered at $35 per ounce. The effect of this is correspondingly to add to both member-bank, and Federal Reserve bank, reserves. During the past year something like 2½ billion was added to our gold stock. Conservatively estimated this added about fifteen billions to our inflationary potential. Excess reserves of the member banks are almost a billion dollars. On this a further credit superstructure of about six billions could be erected. The Federal Reserve banks have reserves of over 50%—enough, on the 25% reserve basis, to issue another $23 or $24 billion in notes and to add another $19 or $20 billion to their deposit liabilities. Assuming that member banks would command about $17 billion of such deposits

they could further expand their deposit credits about a hundred billion dollars. Of course, we are not assuming that such expansion will actually take place but another period of deficit financing by the Federal government would certainly start us down this road.

Low Interest Rates and Inflation

One of the unfortunate practices associated with the inflationary process has been the maintenance of artificially low money rates. During the war the Treasury succeeded in persuading the Board of Governors of the Reserve System as well as all the bank supervisory authorities to go along with an "easy-money" policy. Naturally, with a government debt of $280 billion, a difference of one per centum in the money rate made a difference of $2.8 billions in the annual interest charges the Treasury had to meet. The Treasury was anxious, therefore, to keep money rates low.

As an adjunct of this policy must also be mentioned the willingness of the Reserve banks to take over at par from the member banks any government bonds that they might wish to sell. Of course, the main purpose of this was to help finance the war, but by enabling the member banks by this means to add to their lawful reserves it supplied an added stimulant to inflation.

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The impact of all this on the level of prices is familiar to most of us. Utilizing the index number of the Bureau of Labor Statistics, which is calculated on the basis of 1926 prices as 100, the average for 1947 was 151.8 but that grew out of a low of 141.5 in January and a high of 163.2 in December. In January of this year the index number went to a new high of 165.6. Since then there has been a decline in foods and in farm products, and, of smaller proportions, in textiles, in hides and leather and in a few other categories. The over-all index number on April 24, was 163.6. Fuel and lighting materials, metals and metal products, building materials and house-furnishing goods have tended further upward.

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How did people use all this money? Apparently, personal taxes and related payments were being made at a rate of $22.1 billion per annum. $172.5 billion were being spent for personal consumption. This left an annual savings rate of $11.2 billion. However, for the whole year of 1947, the estimate of individual savings was computed by the Commerce Department as $10.9 billion compared with the high of $35.6 billion in 1944.

As savings and loan men we are even more interested in the comprehensive estimates of savings published by the Securities and Exchange Commission. These include, besides liquid savings, the acquisition of durable forms of wealth. For the year 1947 the Commission estimates total individual savings of all kinds as $34.2 billion of which only $3.9 billion were liquid savings. Gross savings in 1944 were $49 billion of which $41.3 billions were liquid savings. This discloses a decline of $32.4 billion in liquid savings from 1944 to 1947. This decline, it is argued by some, is due to the rapid rise in the cost of living—a rise of 67.2% between 1940 and February, 1948. People were not earning enough to meet this rise in costs without drawing on their savings. By the same token buying on the instalment plan was given a new fillip. Yet savings and loan associations showed a steady increase from the beginning of the war down to the present. From $0.2 billion put in savings and loan associations in 1940 the figures for 1947 rose to $1.2 billion. In short, they increased six times over while other forms of liquid savings declined.

These comforting developments are further reinforced by figures recently released by the Home Loan Bank Board. "Resources of all the savings and loan associations and related institutions in the nation climbed by 16% during 1947," says the Board "to a year-end total estimated at over $11.8 billion."

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Now, perhaps, we may consider ourselves prepared to ask "Where do we go from here?" In a speech at New Orleans last month Under-Secretary Lee Wiggins stressed the great significance of governmental policy in any appraisal of the economic future. His own judgment was that, apart from any specific measures, the government would, if necessary, throw its weight on the side of stabilization if any serious downturn were threatened. That may be regarded as an anchor to windward.

Will There Be More Inflation?

A more serious question is whether developing governmental policies might not lead to further inflationary advances in prices, and to the economic distortions which usually result from inflation. The huge expenditures for European recovery and an expanding rearmament program require new billions. It is hard to believe that, with labor already fully employed (indeed a new peak of employment of well over the 60 million mark is made for this Spring), and with production in so many lines already at the estimated maximum, it is hard to believe, I say, that we can expect an over-all output of goods to keep pace with the probable expansion of effective demand.

This probable expansion of demand might, to some extent, have been offset by absorption of general purchasing power through taxation. Unfortunately, however, taxes have been reduced. Many conservative students believe that despite a fine record of debt repayment during the last few years—namely a reduction from $280 billion to $254 billion—we shall next year again be confronted by the necessity for deficit financing.

More Business and More Consumers' Money

It looks as if consumers will have more money and business too. Business spending for new plant and equipment this year is expected to reach almost $19 billion, some $2.5 billion more than last year and twice what they were at their peak in 1929 and 1941. Home building is also holding at a high level and will be kept up, it is believed, by the certainty of favorable mortgage terms which Congress will continue to make possible.

In view of these probabilities the President, his Economic Council and the Board of Governors of the Federal Reserve System all advocate additional monetary as well as other controls. Marriner Eccles, in his testimony, told the Senate Banking Committee that the legislation aimed at supplying new money for Title VI Federal Housing Administration loans, a secondary market for mortgages and more liberal provisions in FHA Title II are all inflationary. "Measures such as these," said Governor Eccles, "should be reserved to cushion deflation should it later develop. Otherwise, the only measure available would be direct Government lending or subsidies on a large enough scale to protect the real estate and housing market from a serious collapse such as developed in the early 30's." In answer to the complaint that mortgage money is drying up Mr. Eccles suggests as a possible solution the improvement in "the quality of the mortgages" or an increase in the return on them to make them more "attractive" as compared "with other investment."

His advocacy of greater control of primary and secondary reserves with the object of restraining bank credit expansion does not, however, appeal to the banking community. The American Bankers Association has worked out a voluntary control plan of its own and is conscientiously striving for its acceptance. Bankers point out that commercial bank loans have in fact been declining. They dropped steadily for the weekly-report to member banks from a peak of $14.761 billion on January 21 this year to $14.333 billion on April 14th. They also point out that the total loans and investments out of which the whole superstructure of bank credit grows stood, for the reporting member banks, at $63.528 billion in February, 1947. It rose to $65.532 billion in January of this year but thereafter declined to reach a level of $62.855 on April 14 last. Yet, as others have pointed out, this drop may be due less to banker restraint than to the steady pressure of the Treasury itself in using Treasury surpluses to pay off government debt.

National Debt Reduction Possibilities

Be this as it may it would seem reasonable to hold that diminishing revenues on the one hand, and heavy expenditures for European recovery, rearmament and stockpiling on the other, will greatly restrict if not completely eliminate the possibility of further reducing the public debt. Then, should deficit financing become necessary, there would be a restimulation of the inflationary boom.

Should this be the outcome Congress, at present most reluctant to re-introduce abandoned controls, would doubtless be forced to change its mind. Monetary, as well as other economic controls, would then be authorized. While a broad and firmly enforced program of controls might forestall some of the worst evils of inflation, to the degree that such a program was successful it would mean the restriction of the free market and perhaps a fatal corrosion of the system of free enterprise. In short, we run the risk of letting slip in at the back door the totalitarianism against which we are barricading the front door.

Preserve Thrift!

In the light of these circumstances what can we as savings and loan men do, not only to safeguard our own province but also to help to preserve the whole system of which we are a part? On the one hand we are apostles of thrift. We must preach that doctrine with more fervor and conviction than ever before. Every dollar saved is a dollar withdrawn from the inflationary tide. Savings institutions are in the purest sense middlemen. They can normally lend no more than their clients save. They have a cooperative agency in the Home Loan Bank System. Credit extended by that system to its members is also not inflationary because it comes preponderantly from investment sources. But to meet home-lending needs, the more directly savings and loan institutions can depend upon their clients saving, the bigger is the contribution they can make to a prosperous and stable free enterprise economy.

On the lending side circumspection and conservation are essential. Appraisals of property for mortgage-lending purposes must of necessity be based on long-time rather than short-time considerations. It is doubtless true that we shall never go back to a prewar price level. We shall probably, in the end, find ourselves on a new plateau at least 50% higher than the prewar level. But real estate, especially residential real-estate, is peculiar. It is characterized by what in our economic jargon we call an "inelastic demand." This means that while on the one hand, if prices are low, people will not want two homes rather than one, on the other, if the available supply of homes is inadequate people will bid up rents and values in a panic desperation to get a roof over their heads. It is something like this latter condition which prevails today and which has brought governmental control of rents but despite rent control we have seen an enormous increase in real estate values. He would be unwise, however, who would bank on the indefinite continuance of today's scale of real estate values.

Luckily, most of us remember all too poignantly what happened during the Great Depression. Real estate values melted away. Many savings and loan associations collapsed, and in some cases the liquidation of the assets of defunct associations has even yet not been finally completed.

Wise management will in the vernacular "watch its step." It will not bid rates for savings that in the long run it cannot afford to pay. It will remember that appraisals must look beyond the hectic conditions of the moment, and that no value collapses so completely in times of trouble as does that of real estate. It will not encourage people to go into debt beyond what they can afford to pay—not only today but with an eye to future stresses as well. It will not allow itself to get into any wild competitive scramble for mortgage loans, especially by paying commissions to outsiders whose only concern about the whole transaction is that of self-interest. Wise management will also remember that the best storm-doors for savings and loan institutions are good reserves and a strong liquid position.*

Finally wise management will also recognize the value of the Home Loan Bank System. The system represents, after all, a co-operative safeguard. The insurance of accounts acts as a strong dyke against panic withdrawals with all that these imply for the peace of mind of management and the ultimate protection of assets. The Home Loan Bank is also "an ever present help" for its members should trouble actually arise.

We started out with an expressed recognition of the difficulties of forecasting at the present juncture in our national economic affairs. Inventories may be excessive, labor demands may be confusing, corporate profits may be unduly high, and some elements of the price structure may be out of line but there seems to be no cause for immediate anxiety. However, real estate as Undersecretary Wiggins fears, is in a relatively weak position. Those concerned with it must, therefore, be cautious and circumspcet in their dealings. Savings and loan men are not normally of the irresponsible gambler type. They will doubtless heed that old helpful saw about "a word to the wise!"

*.... Research Committee of the New Jersey Savings and Loan League recommends that at this time every association maintain a minimum net liquidity of no less than 15% of total savings accounts. (Net liquidity is defined as the total of cash and government bonds less advances and borrowed money, advance payments by borrowers for taxes and insurance, and loans in process expressed as a percentage of total savings held.) The committee also recommends that each association appropriate from earnings a sufficient amount to reserves so as at all times they have a minimum free reserve position of at least 5% of total assets and a program to obtain within a reasonable period of time a reserve of 10% of assets.

Twin City Bond Club To Hold Picnic

MINNEAPOLIS, MINN.—The Twin City Bond Club will hold its 27th annual golf tournament and picnic on June 10 at the White Bear Yacht Club. Tennis, bridge, swimming and boating will also be featured. Fee for non-golfing members, $6, for golfing members, $8, and for guests $20.

Members of the Picnic Committee are: William W. Lewis, Merrill Lynch, Pierce, Fenner & Beane, Chairman; Harry C. Piper, Jr., Piper, Jaffray & Hopwood; George V. Jackish, Merrill Lynch, Pierce, Fenner & Beane; Joseph E. Masek, Charles A. Fuller Co.; John H. Middlemist, Piper, Jaffray & Hopwood; Bert A. Turner, Kalman & Co.; Guy M. Phillips, Caldwell-Phillips Co.; I. D. Owen, Allison-Williams Co., and Charles R. Bennett, J. M. Dain & Co.

As We See It

(Continued from first page)

paigns as those in Oregon, and the apparent attitude of the people of a number of the Southern States, the really basic or critical issues of the day are hardly controlling. Hand-shaking, "baby-kissing," the willingness of candidates to assume all sorts of silly postures and to appear in shirt sleeves (or less), and much more of the same order often seem of much more influence in determining the choice of rank and file voters in the primaries. The President is being coached, so it is said, in speaking "off the cuff," because this is believed to give him and his utterances a "homespun" attractiveness which they otherwise lack.

Not Unusual

There is very little that is much out of the ordinary in all this. It is for that reason, perhaps, that it does not appear strange or inappropriate to the casual observer. Yet we cannot escape something more than a passing regret that in the critical world situation existing today, we have not proved able to approach what ought to be the time of prayerful choosing on a plane of greater realism, intelligence and dispassion. We boast much of our "two-party system." We are fond of telling ourselves and the world how much better it is than the "one-party system" recently exhibited in Czechoslovakia, and the multi-party system which has rendered a number of countries on the Continent so impotent in recent years. Yet many of us have often been obliged to wonder in what sense we really do have a "two-party system."

It is true, of course, that each of the major parties has its own patron saints before whom knees are bended upon all occasions, particularly at national conventions and the like. Not much meaning, however, can be attached to such things as this, and, in any event, there has been a tendency in recent years to drop some of the former orthodoxy in this matter. More than one "Democrat" in recent years has attempted, not always without a certain measure of success, to catch some of the reflected glory of "Teddy" Roosevelt. The catch-phrases, the slogans, the cliches, of the two leading parties also differ somewhat. By such means it would probably not be especially difficult to distinguish party platforms in recent years even if party and political names were blotted out, but if one had to choose between them on the basis of fundamentals, the task would often have been anything but an easy one.

What Do They Stand For?

The party convention dates are virtually upon us, yet how much discussion has been heard about what each or either of the major parties will promise for the next four years? A few, mostly oblique, references here and there; nothing more. The naive soul without knowledge of how these things work out in actual practice might suggest that in choosing candidates, the parties would *ipso facto* select at least in a general way the attitudes they wish to take on the broader issues of the day. It could be said, too, that the rank and file, in showing preferences for one candidate over the others, give an indication of their views upon public questions.

But only the most naive observer could possibly take much stock in such assertions. In the first place, it would be quite impossible to determine what many of the candidates believe about many of the vital issues of the day. Possibly it would be unkind to say that they, or most of them, have been only too careful that their positions not be made clear and unmistakable. It has long been one of our cannons of good politics to avoid such unequivocal commitments and to say nothing that would be unwelcome to any sizable group of voters. Unfortunately, platform pledges have likewise become a sort of mumbling to which no meaning can unequivocally be attached. What is more, no particular pains is taken to be certain that candidates and platforms match up, and when they do — so far as it is possible to judge such matters — the candidate is often at no pains to give the pledges of his party more than purely formal approval or deference. The Roosevelt record in 1932 is perhaps the most glaring example in recent history, but it is by no means the only one.

Current Example

To come specifically to the forthcoming campaign and election, it is difficult to understand how the Democratic party can come before the people except in defense of the New Deal in its entirety. It is, of course, well known that large sections of the party have never been in sympathy with much that President Roosevelt was doing in their name, but they supported him year after year, and in four Presidential campaigns in which he was in each case overwhelmingly returned to office. President Truman, not "on the cuff," but in numerous very formal and often repeated official statements, has placed his seal of approval upon all the essentials of the New Deal regardless of his attitude toward his former personnel. He has no such magic political touch as his predecessor, and it is certain that substantial elements in his party would like to "ditch" him, but, of course, it is logically impossible for his party to repudiate him without repudiating itself. Without more ado, it may be said that regardless of its platform, and without reference to its candidate, the Democratic party must either come before the public as an exponent of the New Deal or else as a self-confessed blunderer asking for re-election on the basis of its repentance for past transgressions.

The opposition is, however, in no such position. On the other hand, it does have a record of indecision, lack of cohesion, and an apparent inability as a party to make up its mind what it is or what it would do if placed in power again. It without much doubt has New Deal leanings, but how extensively so and in what particulars it remains difficult to say. It would be little short of tragic if the electorate is again this autumn obliged to go to the polls and choose between the New Deal and something else the precise nature of which it has no way of determining with any great degree of assurance.

Economic Uncertainties and Real Estate Loans

(Continued from page 7)

enterprise have not been, and, practically, cannot be, fully realized. The very use of the corporate device, as necessary as it may be, none the less disturbs that basic equality of bargaining power which is one of the fundamental assumptions of the free enterprise system. Monopolistic power in markets repeatedly raises its ugly head. Competitors will neglect their moral obligation to stand behind the integrity of their products, and various groups are constantly endeavoring to use political power to bend the service of the market to their own selfish ends.

Governmental intervention has thus to some degree become inevitable. Anti-monopoly laws, regulations governing the standards of competition, like pure food and drug laws, and other legislation aimed at the preservation of a reasonable equality of bargaining power are all completely in harmony with the philosophy of the system of free enterprise. The traffic officer at the corner, or even the mechanical lights, are aimed to promote, not to interfere with, the freedom of movement. As our economic society has become more complicated rules of the game, and umpires to interpret and apply them, became a reasonable and, indeed, an urgent necessity.

Disturbing Element

The disturbing element has been the tendency of governments to participate as players in the game. To some extent this too was inevitable. The urgent necessities associated with public health and education, with adequate highways, with postal service and intercommunication, with conservation of natural resources, with flood control and other great social objectives has led to direct intervention of government into the economic process. Such intervention has given rise to important questions of public policy about which there has been marked difference of opinion. It has not, however, disturbed the basic fundamentals of the system.

It is war that has all but wrecked the system of free enterprise! Modern war is a rapacious Moloch into whose hungry mouth we pour both life and treasure. The factors of production are diverted from human want satisfaction to wholesale destruction. The scope and urgency of war demand leads on the one hand to governmental controls of supply and on the other to balancing operations on the side of demand. Reliance upon purely peacetime, pecuniary controls proves impossible. The inadequacy of taxation forces a resort to inflation. The resulting price disturbances then necessitate further regulation through price controls, rationing, priorities, allocations, etc., all of which in the end spell the doom of the free market.

The corrosive effect of war on the system of free enterprise has been continuously operative since World War I. Early in that conflict the international gold standard broke down completely, and has never since been restored. Internal as well as external economic controls were applied by all the belligerents, and were merely modified, rather than eliminated, by the cessation of hostilities and the establishment of an unstable peace. During the inter-war period, the war destruction of capital, the undermining of the middle-classes, the surviving problems of reparations, and of intergovernmental debts and the intensification of international rivalries simply multiplies the difficulties which the war itself originated. Monetary manipulation and inflation, desperate fiscal expedients, and trade and exchange controls continuously bedeviled the international situation as well as the domestic economies of all the countries of the world. We had our postwar boom and the meretricious prosperity of the twenties only to be followed by the most disastrous collapse in our history. Monetary experimentation, deficit financing and the series of measures involved in the program of "relief, recovery and reform" did a little, but only a little, to get us back on our feet. Strange as it may seem, it took the Nazis and World War II to restore our economy to fulltime operation. Not until 1941 did our general level of prices get back to its 1926 position.

In World War II we simply piled Pelion upon Ossa in the further distortion of our economic system. Our war expenditures were fantastic. Despite an unprecedented expansion of taxation we heaped up a national debt of some $280 billion. Price controls, rationing, priorities and allocations were developed in our economy as never before. Tragically, the most important survivals of the free enterprise system were in black markets. The healthy and stimulating aspects of the normal operation of free enterprise were all but submerged.

Where Are We Now?

And where are we now? Military operations against our erstwhile enemies have ceased, but a new enemy, a former ally, has arisen ominously on the horizon. The hopes centered in the United Nations organization have been all but shattered. A so-called "cold war" involving enormous expenditure abroad as well as a stupendous rearmament program at home may easily necessitate a complete revival of wartime controls, the more irritating of which, although by no means all of them, were comparatively recently abandoned. At the moment, therefore, we have a sadly mixed system of private enterprise and governmental controls. If the world situation tends toward a World War III, then we can count on a further desiccation of the system of free enterprise and a corresponding reflowering of state socialism. In such an event economic control will be simply one of the tools of governmental policy and all private business calculations will have to be harmonized with the controlling objectives of government.

With this frame of reference as a background in our thinking the basic facts of our present economic and financial situation can be easily summarized. They are, perhaps, generally familiar to this company.

In 16 years our gold stock has increased from some four billions to over $23 billion and it continues steadily to increase. Money in circulation has expanded during the same period from about four billions to over $28 billion. Moreover about $24 of these $28 billion represent notes issued by the Federal Reserve banks, against which only a 25% gold reserve is required. The money of business is, however, the bank check, based on deposits rather than hand to hand money. Bank deposits about 1900 stood approximately at $8 billion. They expanded rapidly thereafter, with a slight decline in 1920 and 1921, until they reached a peak of $51½ billions in 1929. They dropped to below $37 billions in 1933. They were back to the $50 billion mark by 1939. Then followed the enormous war expansion. In December 1945 a peak of $148.9 billions was reached. Through the partial liquidation of the government debt this was brought down to $138.8 billion by January of 1947. Since then, however, the expansion of loans to private business has reversed the decline and total deposits today of all our banks are reported to stand close to the $150 billion level.

What is even more striking is the inflationary potential in our money and credit system. In the frist place, as already indicated, we are steadily adding to our basic gold reserves. We buy all the gold offered at $35 per ounce. The effect of this is correspondingly to add to both member-bank, and Federal Reserve bank, reserves. During the past year something like 2½ billion was added to our gold stock. Conservatively estimated this added about fifteen billions to our inflationary potential. Excess reserves of the member banks are almost a billion dollars. On this a further credit superstructure of about six billions could be erected. The Federal Reserve banks have reserves of over 50%—enough, on the 25% reserve basis, to issue another $23 or $24 billion in notes and to add another $19 or $20 billion to their deposit liabilities. Assuming that member banks would command about $17 billion of such deposits

they could further expand their deposit credits about a hundred billion dollars. Of course, we are not assuming that such expansion will actually take place but another period of deficit financing by the Federal government would certainly start us down this road.

Low Interest Rates and Inflation

One of the unfortunate practices associated with the inflationary process has been the maintenance of artificially low money rates. During the war the Treasury succeeded in persuading the Board of Governors of the Reserve System as well as all the bank supervisory authorities to go along with an "easy-money" policy. Naturally, with a government debt of $280 billion, a difference of one per centum in the money rate made a difference of $2.8 billions in the annual interest charges the Treasury had to meet. The Treasury was anxious, therefore, to keep money rates low.

As an adjunct of this policy must also be mentioned the willingness of the Reserve banks to take over at par from the member banks any government bonds that they might wish to sell. Of course, the main purpose of this was to help finance the war, but by enabling the member banks by this means to add to their lawful reserves it supplied an added stimulant to inflation.

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Now, perhaps, we may consider ourselves prepared to ask "Where do we go from here?" In a speech at New Orleans last month Under-Secretary Lee Wiggins stressed the great significance of governmental policy in any appraisal of the economic future. His own judgment was that, apart from any specific measures, the government would, if necessary, throw its weight on the side of stabilization if any serious downturn were threatened. That may be regarded as an anchor to windward.

Will There Be More Inflation?

A more serious question is whether developing governmental policies might not lead to further inflationary advances in prices, and to the economic distortions which usually result from inflation. The huge expenditures for European recovery and an expanding rearmament program require new billions. It is hard to believe that, with labor already fully employed (indeed a new peak of employment of well over the 60 million mark is made for this Spring), and with production in so many lines already at the estimated maximum, it is hard to believe, I say, that we can expect an over-all output of goods to keep pace with the probable expansion of effective demand.

This probable expansion of demand might, to some extent, have been offset by absorption of general purchasing power through taxation. Unfortunately, however, taxes have been reduced. Many conservative students believe that despite a fine record of debt repayment during the last few years—namely a reduction from $280 billion to $254 billion—we shall next year again be confronted by the necessity for deficit financing.

More Business and More Consumers' Money

It looks as if consumers will have more money and business too. Business spending for new plant and equipment this year is expected to reach almost $19 billion, some $2.5 billion more than last year and twice what they were at their peak in 1929 and 1941. Home building is also holding at a high level and will be kept up, it is believed, by the certainty of favorable mortgage terms which Congress will continue to make possible.

In view of these probabilities the President, his Economic Council and the Board of Governors of the Federal Reserve System all advocate additional monetary as well as other controls. Marriner Eccles, in his testimony, told the Senate Banking Committee that the legislation aimed at supplying new money for Title VI Federal Housing Administration loans, a secondary market for mortgages and more liberal provisions in FHA Title II are all inflationary. "Measures such as these," said Governor Eccles, "should be reserved to cushion deflation should it later develop. Otherwise, the only measure available would be direct Government lending or subsidies on a large enough scale to protect the real estate and housing market from a serious collapse such as developed in the early 30's." In answer to the complaint that mortgage money is drying up Mr. Eccles suggests as a possible solution the improvement in "the quality of the mortgages" or an increase in the return on them to make them more "attractive" as compared "with other investment."

His advocacy of greater control of primary and secondary reserves with the object of restraining bank credit expansion does not, however, appeal to the banking community. The American Bankers Association has worked out a voluntary control plan of its own and is conscientiously striving for its acceptance. Bankers point out that commercial bank loans have in fact been declining. They dropped steadily for the weekly-report to member banks from a peak of $14.761 billion on January 21 this year to $14.333 billion on April 14th. They also point out that the total loans and investments out of which the whole superstructure of bank credit grows stood, for the reporting member banks, at $63.528 billion in February, 1947. It rose to $65.532 billion in January of this year but thereafter declined to reach a level of $62.855 on April 14 last. Yet, as others have pointed out, this drop may be due less to banker restraint than to the steady pressure of the Treasury itself in using Treasury surpluses to pay off government debt.

National Debt Reduction Possibilities

Be this as it may it would seem reasonable to hold that diminishing revenues on the one hand, and heavy expenditures for European recovery, rearmament and stockpiling on the other, will greatly restrict if not completely eliminate the possibility of further reducing the public debt. Then, should deficit financing become necessary, there would be a restimulation of the inflationary boom.

Should this be the outcome Congress, at present most reluctant to re-introduce abandoned controls, would doubtless be forced to change its mind. Monetary, as well as other economic controls, would then be authorized. While a broad and firmly enforced program of controls might forestall some of the worst evils of inflation, to the degree that such a program was successful it would mean the restriction of the free market and perhaps a fatal corrosion of the system of free enterprise. In short, we run the risk of letting slip in at the back door the totalitarianism against which we are barricading the front door.

Preserve Thrift!

In the light of these circumstances what can we as savings and loan men do, not only to safeguard our own province but also to help to preserve the whole system of which we are a part? On the one hand we are apostles of thrift. We must preach that doctrine with more fervor and conviction than ever before. Every dollar saved is a dollar withdrawn from the inflationary tide. Savings institutions are in the purest sense middlemen. They can normally lend no more than their clients save. They have a cooperative agency in the Home Loan Bank System. Credit extended by that system to its members is also not inflationary because it comes preponderantly from investment sources. But to meet home-lending needs, the more directly savings and loan institutions can depend upon their clients saving, the bigger is the contribution they can make to a prosperous and stable free enterprise economy.

On the lending side circumspection and conservation are essential. Appraisals of property for mortgage-lending purposes must of necessity be based on long-time rather than short-time considerations. It is doubtless true that we shall never go back to a prewar price level. We shall probably, in the end, find ourselves on a new plateau at least 50% higher than the prewar level. But real estate, especially residential real-estate, is peculiar. It is characterized by what in our economic jargon we call an "inelastic demand." This means that while on the one hand, if prices are low, people will not want two homes rather than one, on the other, if the available supply of homes is inadequate people will bid up rents and values in a panic desperation to get a roof over their heads. It is something like this latter condition which prevails today and which has brought governmental control of rents but despite rent control we have seen an enormous increase in real estate values. He would be unwise, however, who would bank on the indefinite continuance of today's scale of real estate values.

Luckily, most of us remember all too poignantly what happened during the Great Depression. Real estate values melted away. Many savings and loan associations collapsed, and in some cases the liquidation of the assets of defunct associations has even yet not been finally completed.

Wise management will in the vernacular "watch its step." It will not bid rates for savings that in the long run it cannot afford to pay. It will remember that appraisals must look beyond the hectic conditions of the moment, and that no value collapses so completely in times of trouble as does that of real estate. It will not encourage people to go into debt beyond what they can afford to pay—not only today but with an eye to future stresses as well. It will not allow itself to get into any wild competitive scramble for mortgage loans, especially by paying commissions to outsiders whose only concern about the whole transaction is that of self-interest. Wise management will also remember that the best storm-doors for savings and loan institutions are good reserves and a strong liquid position.*

Finally wise management will also recognize the value of the Home Loan Bank System. The system represents, after all, a co-operative safeguard. The insurance of accounts acts as a strong dyke against panic withdrawals with all that these imply for the peace of mind of management and the ultimate protection of assets. The Home Loan Bank is also "an ever present help" for its members should trouble actually arise.

We started out with an expressed recognition of the difficulties of forecasting at the present juncture in our national economic affairs. Inventories may be excessive, labor demands may be confusing, corporate profits may be unduly high, and some elements of the price structure may be out of line but there seems to be no cause for immediate anxiety. However, real estate as Undersecretary Wiggins fears, is in a relatively weak position. Those concerned with it must, therefore, be cautious and circumspcet in their dealings. Savings and loan men are not normally of the irresponsible gambler type. They will doubtless heed that old helpful saw about "a word to the wise!"

*... Research Committee of the New Jersey Savings and Loan League recommends that at this time every association maintain a minimum net liquidity of no less than 15% of total savings accounts. (Net liquidity is defined as the total of cash and government bonds less advances and borrowed money, advance payments by borrowers for taxes and insurance, and loans in process expressed as a percentage of total savings held.) The committee also recommends that each association appropriate from earnings a sufficient amount to reserves so as at all times they have a minimum free reserve position of at least 5% of total assets and a program to obtain within a reasonable period of time a reserve of 10% of assets.

Twin City Bond Club To Hold Picnic

MINNEAPOLIS, MINN. — The Twin City Bond Club will hold its 27th annual golf tournament and picnic on June 10 at the White Bear Yacht Club. Tennis, bridge, swimming and boating will also be featured. Fee for non-golfing members, $6, for golfing members, $8, and for guests $20.

Members of the Picnic Committee are: William W. Lewis, Merrill Lynch, Pierce, Fenner & Beane, Chairman; Harry C. Piper, Jr., Piper, Jaffray & Hopwood; George V. Jackish, Merrill Lynch, Pierce, Fenner & Beane; Joseph E. Masek, Charles A. Fuller Co.; John H. Middlemist, Piper, Jaffray & Hopwood; Bert A. Turner, Kalman & Co.; Guy M. Phillips, Caldwell-Phillips Co.; I. D. Owen, Allison-Williams Co., and Charles R. Bennett, J. M. Dain & Co.

Trust Buying in First Quarter

(Continued from page 2)

acquiescing to such present and possible future non-productive but temporarily stimulating appropriations, while at the same time passing the 1948 tax reduction measure, would have given one the real clue—the *potential* of an uncontrollable inflation.

Heavy Buying of Oils

If such is the actual underlying driving force behind the market today, it should not be hard to understand the marked preference for the oil and mining industries. The prices of most stocks among the petroleum shares have had a notable increase, however, and there is some questioning as to the stability of the price structure over a longer period for the product itself, due to the improbability of continued demand at present high levels. Gulf of Pennsylvania was the outstanding favorite, although purchases were stimulated through exercise of rights. Nine trusts bought Phillips and five of these made new commitments. Continental was third in preference while Texas and Humble were bought by four and two companies respectively. Barnsdall was sold by three trusts on profit taking after its rather substantial rise. Like reasons apparently dictated the sale of Standard of New Jersey, which was lightened in four portfolios and eliminated from a fifth. Superior, Creole, Ohio Oil and Pantepec were also disposed of Although two funds sold a total of 10,000 Atlantic Refining, another bought a small lot of this company.

Natural gas companies have met with increasing acceptance over the last two years. Northern Natural Gas became a new addition to four portfolios while Consolidated Natural was a newcomer to two and an increase to holdings of a third. Panhandle Eastern, and Texas Eastern Transmission were each purchased by two funds and Tennessee Gas and Transmission was added to the list of another.

It is interesting to observe that three trusts held about one-third of the total amount of their portfolios of diversified securities and cash in stocks of oil and gas companies. U. S. and International Securities' holdings were 32.4% of its total, State Street's 31.9%, and U. S. and Foreign Securities' 29.5%.

Leading the metals, Kennecott returned as an old-time favorite. Nine trusts made purchases and, of these, three were new commitments. Phelps Dodge was also well liked, six companies adding to their portfolios, although half that number also disposed of it. Homestake was the only marked preference among the gold mining equities; although one fund made a new commitment in Dome, another cleaned this stock out of its portfolio. St. Joseph Lead was newly introduced into the holdings of two companies and still another trust added it to shares already held. Aluminum of America was also well liked by four managers. There was a division of opinion on both American Smelting and Nickel. Three trusts bought and four sold the former while two bought and one sold the latter. There were individual new commitments in Eureka Corp., McIntyre Porcupine, New Jersey Zinc and Newmont Mining. Two companies sold the stock of Consolidated Mining & Smelting of Canada.

United Aircraft Favored

Among the few non-diversified companies included in this survey, one of the chief developments was the sale of a large part of its general portfolio securities by First York Corporation and employment of the cash realized for the purchase of a third interest in Bell Aircraft at a cost of $2¾ million. The same group expended a half million dollars in the purchase of 87,500 shares of Fairchild Engine. United Aircraft was the favorite among the diversified funds, four of them adding the stock of this leading manufacturer to their portfolios. Boeing was increased among the holdings of two trusts and a third acquired it as a new commitment. Douglas also found favor with two managements. Sperry found two purchasers while a block of 2000 Consolidated Vultee was picked up by another.

Shares of the transport companies were also in demand. United and Eastern were favorites, five managements buying the former and four the latter. Two funds made aggregate purchases of 48,700 shares of American Airlines while another acquired a block of 15,000 Northwest Airlines. Curtiss Wright was the only company among either the transport or manufacturer groups in pronounced disfavor. Two trusts disposed of a total of 57,600 shares.

Over the last year and a half, there have been indications of a revitalized interest in insurance shares on the part of the investment companies; this period witnesses such interest gaining in importance. 7,300 shares of Standard Accident Insurance were purchased by three managements and of these two were new acquisitions. Two funds bought into the American Insurance Co. of Newark, and a like number added to their holdings of Continental Insurance. The true picture is only presented by mentioning the scattered individual purchases many of which were new commitments. Included were Aetna Casualty and Surety, Aetna Insurance of Conn., Boston Insurance Co., Continental Casualty, Fireman's of Newark, Great American Insurance, National Fire, Northwestern National Life and Phoenix Insurance.

Opinion on the two large finance companies, Commercial Credit and C. I. T. Financial, was divided although following the end of the quarter, they were heavily bought. The First National Bank of Boston was the favorite among the commercial banking institutions, but only two trusts made new acquisitions of its stock. Another management bought a block of 10,000 Bankers Trust and 7,000 shares of Chase became a new addition to another portfolio. A small investment was made in the stock of National City by one management and another acquired 800 shares of Guaranty.

General Motors found favor with six funds and a total of 40,500 shares was added to their portfolios. Recurring war scares supposedly have reawakened demand and the backlog of orders has increased as potential car buyers fear they may be cut off entirely or at least suffer even longer delays than today in purchasing. Studebaker was also well thought of by three managements. Bendix was the favorite among the parts makers, three trust buying a total of 9,000 shares. Borg Warner was added to the holdings of two companies, while individual new commitments were made in the shares of Eaton Manufacturing and Electric Auto-Lite. Two trust liked Thompson Products. Libbey-Owens-Ford was the only equipment in marked disfavor, four funds disposing of a total number of 11,200 shares. In contrast to the preference shown General Motors, opinion was evenly divided on Chrysler, three funds buying and the same number selling.

The two large electrical equipment companies were favored by purchasers. Besides large consumer demand for appliances there is a heavy backlog of public utility business. Four trusts bought Westinghouse and three made purchases of General Electric, the latter totaling 23,800 shares.

North American Bought

Many of the acquisitions in the utility field were the result of stock dividends paid out in simplification and liquidation of holding company set ups and these are detailed in the footnotes of the accompanying table. Columbia Gas and Electric was liked by two companies who made new commitments to the amount of 64,400 shares; mention has previously been made of the popularity of gas properties. Six companies made purchases of North American whose stock is particularly attractive because it is priced at a value well below the worth of underlying assets realizable under the simplification program. Generous yields undoubtedly influenced four trusts in their purchases of Virginia Electric Power and three more in acquisitions of Cincinnati Gas and Electric. Two campanies purchased blocks of Dayton Power and Light, partially through the exercise of rights. Three trusts purchased stock of New England Electric System and the same number acquired new holdings of West Penn Electric. Seven funds sold Wisconsin Electric Power, four making complete eliminations from their portfolios. Two managements also completely disposed of 46,000 shares of American Water Works while a similar number unloaded equities of Middle West Corporation.

A slightly increased interest was displayed in the rail group, Atlantic Coast Line finding four purchasers. Rock Island was liked by three managements, although some of these shares were received under the plan of reorganization. Two new acquisitions were made of Atchison at the same time an equal number of companies lightened previously held commitments. Individual scattered purchases were made in

Balance Between Cash and Investments of 52 Investment Companies

End of Quarterly Periods December 1947 and March 1948

	Net Cash & Govts. Thousands of Dollars —End of—		Net Cash & Govts. Per Cent —End of—		Invest. Bonds & Preferred Stocks Per Cent* —End of—		Com. Stks. plus Lower Grade Bonds & Pfds. Per Cent —End of—	
	Dec.	March	Dec.	March	Dec.	March	Dec.	March
Open-End Balanced Funds								
American Business Shares	†	†	10.6	9.4	20.4	20.2	69.0	70.4
Axe-Houghton Fund	567	577	7.3	7.3	3.3	3.2	89.4	89.5
Axe-Houghton "B"	68	131	5.6	10.0	16.4	14.2	78.0	75.8
Commonwealth Investment	500	†	13.2	11.6	23.3	23.0	63.5	65.4
Eaton & Howard Balanced	3,701	4,306	11.8	13.0	20.0	21.0	68.2	66.0
Fully Administered Shares	1,043	1,305	22.6	24.6	7.4	8.0	70.0	67.4
General Investors Trust	250	269	12.9	13.7	19.4	12.0	67.7	74.3
Johnston Mutual Fund	51	50	19.9	18.7	19.2	18.8	60.9	62.5
National Securities-Income	425	487	4.0	4.3	22.4	17.2	73.6	78.5
Nation-Wide Securities	1,149	897	10.0	8.3	35.1	30.9	54.9	60.8
Nesbett Fund	37	32	10.4	8.3	20.7	18.0	68.9	73.7
George Putnam Fund	4,597	5,661	19.9	23.5	15.3	11.7	64.8	64.8
Russell Berg Fund	629	614	47.6	47.0	17.2	15.6	35.2	37.4
Scudder Stevens & Clark	3,368	‡	14.8	‡	21.5	‡	63.7	‡
Wellington Fund	13,756	5,051	28.1	9.7	22.9	34.0	49.0	56.3
Wisconsin Investment Co.	818	1,111	46.5	53.9	18.4	10.1	35.1	36.0
Open-End Stock Funds:								
Affiliated Fund	†	†	2.5	2.5	None	None	97.5	97.5
Broad Street Investing	648	885	7.4	10.0	None	None	92.6	90.0
Bullock Fund	600	791	10.1	13.5	1.1	1.0	88.8	85.5
Delaware Fund	196	83	15.6	6.5	6.8	12.9	77.6	80.6
Dividend Shares	7,653	8,082	13.0	13.8	0.8	0.6	86.2	85.6
Eaton & Howard Stock	82	85	4.5	4.6	6.0	6.1	89.5	89.3
Fidelity Fund	2,337	2,308	14.9	14.1	None	None	85.1	85.9
First Mutual Trust Fund	329	125	8.8	3.5	8.4	8.1	88.4	82.8
Fundamental Investors	1,540	1,563	5.6	5.5	None	None	94.4	94.5
General Capital Corp.	987	604	9.2	5.8	1.6	1.8	89.2	92.4
Incorporated Investors	3,531	3,355	5.3	5.0	None	None	94.7	95.0
Investment Co. of America	603	776	10.9	14.2	None	None	89.1	85.8
Investors Management Fund	528	362	5.4	3.8	1.1	0.4	93.5	95.8
Knickerbocker Fund	175	112	2.2	1.4	None	None	97.8	98.6
Loomis-Sayles Mutual Fund	687	694	16.0	16.0	9.0	7.5	75.0	76.5
Loomis-Sayles Second Fund	1,280	1,576	16.5	18.0	9.0	8.0	74.5	74.0
Massachusetts Investors Trust	9,566	9,458	4.7	4.7	None	None	95.3	95.3
Mutual Investment Fund	30	17	4.4	2.5	4.1	4.3	91.5	93.2
National Investors	574	978	3.3	5.6	None	None	96.7	94.4
New England Fund	645	716	22.8	25.3	5.9	5.6	71.3	69.1
Republic Investors	101	148	9.5	14.5	3.7	4.1	86.8	81.4
Selected American Shares	2,022	3,335	12.9	21.7	0.6	0.1	86.5	78.2
Sovereign Investors	157	179	30.2	35.5	7.2	7.6	62.6	56.9
State Street Investment Corp.	10,976	12,464	17.1	19.4	None	None	82.9	80.6
Wall Street Investing Corp.	198	203	19.8	19.9	None	None	80.2	80.1
Closed-End Companies:								
Blue Ridge Corp.	1,844	4,863	6.2	16.3	3.2	3.3	90.6	80.4
Capital Administration	446	506	§8.3	§8.4	6.5	6.8	85.2	84.8
General American Investors	4,689	5,446	13.0	15.0	None	0.4	87.0	84.6
General Public Service	350	390	7.5	8.5	None	None	92.5	91.5
General Shareholders	800	1,081	§5.3	§3.1	7.5	7.7	87.2	86.2
Lehman Corp.	13,773	20,136	14.4	21.3	3.5	2.7	82.1	76.0
National Bond & Share	1,799	2,223	§18.2	§22.7	7.7	6.6	74.1	70.7
Selected Industries	1,007	1,349	§4.1	§4.2	8.4	9.2	87.5	86.6
Tri-Continental Corp.	1,103	1,634	§4.4	§4.7	6.7	6.6	88.9	88.7
¶U. S. & Foreign Securities	1,282	1,176	3.8	3.5	None	None	96.2	96.5
U. S. & International Securities	3,132	2,751	8.5	7.6	None	None	91.5	92.4

*Investment bonds and preferred stocks: Moody's Aaa through Ba for bonds; Fitch's AAA through BB and approximate equivalents for preferreds. †Dollar amount not reported on this date. ‡No interim reports issued to stockholders on this date. §Percent gross cash and governments as reported by company. ¶Portfolio exclusive of securities in subsidiary or associated companies.

New York Central, Norfolk and Western, Northern Pacific, Pennsylvania, Southern Pacific, and Gulf, Mobile and Ohio. Opinion was divided on Great Northern. Union Pacific was the only road to be sold by three funds. Railroad equipments met with divided action. Three managements sold New York Air Brake and General American Transportation was unloaded by three more. On the other hand, the same number of trusts bought Westinghouse Air Brake while four made purchases of Superheater.

Opinion Divided on Ward and Sears

Buyers outweighed sellers in number with six purchases of Montgomery Ward offsetting four sales. Opinion was even closer on Sears, there being five buyers to four venders of the stock. Federated Department Stores was slightly favored while Allied Stores was lightened in three portofolios. There was no agreement on the steels. Four trusts sold U. S. Steel and a like number disposed of Republic. On the other hand, three funds bought National and three more increased holdings of Youngstown Sheet and Tube.

Although many scattered individual transactions tended to even out the over-all picture on the shares of machinery and industrial equipment manufacturers, there were a few concentrated purchases. Five trusts bought Joy Manufacturing, two of which made new commitments. Three companies also bought shares of National Supply and two more increased holdings of Allis Chalmers. Two individual purchases, both entirely new acquisitions, appear to point up the naval defense programs. One is a block of 10,000 shares of Electric Boat, the other is a 1,000 share lot of Newport News Shipbuilding and Drydock.

Concentrated selling was centered on only a few industries. Johns-Manville was the most unpopular among the building stocks, four trusts decreasing their holdings and two more making complete eliminations. United States Gypsum was completely disposed of by three funds and decreased by two others. Four companies also lessened their shares of Simmons. Three more companies reduced their stock in Owens Illinois Glass. Two managements also sold Pittsburgh Plate Glass, two decreased shares in Trane, and the same number reduced the number of shares held of Sherwin Williams. Two trusts bought Weyerhaeuser Timber and a like number small lots of American Radiator.

Carbide Liquidated

Union Carbide was in greatest disfavor in the chemical group, two trusts decreasing their holdings and three more completely liquidating shares formerly held. Three funds reduced equities of American Cyanamid and two disposed of 18,000 shares of Eastman Kodak. Interchemical and Monsanto were each sold by two managements. Little attention was given to purchases although slight preferences were shown for Commercial Solvents and Charles Pfizer and Company. Opinion was divided on both Dow and DuPont. Attention should be directed to one last group of transactions among the investment companies for the first quarter and that is in the tobacco shares. The industry, so the forecasts point, is headed for lower earnings in addition to which a certain member is going through one of its recurrent housekeeping upsets. American Tobacco was completely eliminated from the holdings of three funds and its shares were decreased in two other portfolios.

Changes in Common Stock Holdings of 39 Investment Management Groups

(Dec. 31, 1947-March 31, 1948)

Transactions in which buyers exceed sellers—or sellers exceed buyers—by two or more management groups. Issues more heavily sold are in italics. Numerals (1) (2) (3) (4) indicate number of managements making entirely new purchases of an issue, or completely eliminating the stock from their portfolios.

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
Agricultural Equipment:				
2	1,100	J. I. Case Co.	None	None
Auto & Auto Parts:				
3(2)	9,000	Bendix Aviation	None	None
2	5,600	Borg Warner	None	None
6	40,500	General Motors	700	1
3	13,300	Studebaker Corp.	2,000	1
None	*None*	*Libbey-Owens-Ford Glass*	*11,200*	*4(3)*
Aviation:				
2(1)	48,700	American Airlines	None	None
1(1)	150,444	Bell Aircraft	None	None
3(1)	4,600	Boeing Airplane	None	None
2(1)	6,400	Douglas Aircraft	None	None
4	18,600	Eastern Airlines	None	None
2	2,400	Sperry Corp.	None	None
5(1)	15,300	United Airlines	2,000	1(1)
4(1)	16,900	United Aircraft	None	None
None	*None*	*Curtiss-Wright*	*57,600*	*2(1)*
Beverages:				
1	*6,000*	*Canada Dry Ginger Ale*	*4,700*	*3*
1	*5,000*	*Pepsi Cola*	*29,700*	*3*
Building Construction and Equipment:				
2	2,300	American Radiator	None	None
2(1)	7,500	Weyerhaeuser Timber Co.	None	None
2	*2,500*	*Johns-Manville*	*27,500*	*6(2)*
None	*None*	*Pittburgh Plate Glass*	*3,000*	*2(1)*
None	*None*	*Sherwin-Williams*	*1,500*	*2(1)*
None	*None*	*Simmons Co.*	*9,500*	*4(2)*
None	*None*	*Trane Co.*	*650*	*2(1)*
1(1)	*600*	*United States Gypsum*	*3,800*	*5(3)*
Chemicals:				
2(2)	7,100	Commercial Solvents	None	None
2(1)	6,100	Pfizer (Chas.)	None	None
1	*25*	*American Cyanamid Co.*	*4,900*	*3*
None	*None*	*Eastman Kodak*	*18,000*	*2*
None	*None*	*Interchemical Corp.*	*1,000*	*2(1)*
None	*None*	*Monsanto Chemical*	*2,400*	*2*
None	*None*	*Union Carbide*	*7,000*	*5(3)*
Containers and Glass:				
3(1)	2,000	Continental Can	None	None
None	*None*	*Owens Illinois Glass*	*2,700*	*3(2)*
Electrical Equipment:				
3	23,800	General Electric	2,500	1
4	5,350	Westinghouse Electric	3,200	2(1)
Financial, Banking and Insurance				
2	9,500	Amer. Insurance Co. (Newark)	None	None
2	2,000	Continental Insurance Co.	None	None
2(2)	3.200	First National Bank of Boston	None	None
3(2)	7,312	Standard Accident Insurance Co.	None	None
None	*None*	*Marine Midland Corp.*	*5,000*	*2(2)*
Food Products:				
3(1)	5,000	Standard Brands	3,600	1
Machinery and Industrial Equipment:				
2	10,500	Allis Chalmers	None	None
5(2)	4,900	Joy Manufacturing Co.	700	1(1)
3(2)	5,500	National Supply	None	None
Metals and Mining:				
4(2)	16,250	Aluminum Co. of America	4,100	2
3(1)	1,200	Homestake Mining	700	1(1)
9(3)	23,300	Kennecott Copper	None	None
6(1)	7,600	Phelps Dodge	1,400	3(1)
3(2)	7,900	St. Joseph Lead	200	1(1)
None	*None*	*Consol. Min. & Smelting, Canada*	*1,925*	*2*
Metal Fabricators:				
3	4,100	Mueller Brass	None	None
Office Equipment:				
4	9.100	Internat'l Business Machines [1]	None	None
4	8,282.6	Remington Rand [2]	None	None
Paper and Printing:				
None	*None*	*Union Bag and Paper*	*4,450*	*4(1)*
Petroleum and Natural Gas:				
3(2)	7,400	Consolidated Natural Gas	1,100	1
6(1)	15,100	Continental Oil	1,000	2
19(5)	89,825	Gulf Oil [3]	5.500	2
2	5,500	Humble Oil & Refining	None	None
4(4)	6,800	Northern Natural Gas	None	None
2(1)	3,100	Panhandle Eastern Pipe Line	None	None
9(5)	24,800	Phillips Petroleum	None	None
4(1)	4,125	Texas Company	7,000	2
2(1)	54,800	Texas Eastern Tr'smission Corp.	None	None
5(2)	29,300	Texas Pacific Coal and Oil Co.	5,500	3(1)
1	*800*	*Barnsdall Oil*	*3,300*	*3(1)*
None	*None*	*Creole Petroleum*	*18,100*	*3(2)*
None	*None*	*Ohio Oil*	*1,400*	*2(1)*
None	*None*	*Pantepec*	*15,200*	*2(1)*
2	*1,100*	*Standard Oil of New Jersey*	*8,400*	*5(1)*
1	*900*	*Superior Oil*	*1,000*	*3(2)*
Public Utilities:				
11	14,184	American Light & Traction [4]	6,200	1
5(2)	2,764	Atlantic City Electric [5]	1,740	3(2)
4(4)	180,350	Central Illinois Public Service [6]	None	None
3(2)	19,700	Cincinnati Gas & Electric	None	None
2(2)	64,400	Columbia Gas & Electric	None	None
2(1)	13,803	Dayton Power & Light [3]	None	None
4(2)	17,500	Gulf States Utilities	None	None
2	1,375	Indiana Gas & Water Co.[7]	None	None
3(1)	10,850	New England Electric System	None	None
6(1)	25,300	North American Co.	20,200	3(1)
10(1)	31,283	Potomac Electric Power [8]	67,352	8(1)
4(4)	56,900	Virginia Electric Power	None	None
3(3)	60,000	West Penn Electric Co.	None	None
None	*None*	*American Water Works & Elec.*	*46,000*	*2(2)*
None	*None*	*Middle West Corp.*	*15,500*	*2(2)*
4	*6,610*	*Wisconsin Electric Power*	*15,604*	*7(4)*
Radio and Amusement:				
5(2)	4,500	Paramount Pictures	54,200	3(2)
None	*None*	*Twentieth Century-Fox*	*3,300*	*3*
Railroads:				
4(1)	4,800	Atlantic Coast Line	1,000	1
3(2)	44,500	Chicago, Rock Island & Pacific [9]	None	None
1	*500*	*Union Pacific*	*1,600*	*3(1)*
Railroad Equipment:				
4(1)	7,100	Superheater	None	None
3	2,300	Westinghouse Air Brake	100	1
1	*1,600*	*General American Transport.*	*1,300*	*3(1)*
1	*800*	*New York Air Brake*	*10,000*	*3(3)*
Retail Trade:				
2	1,900	Federated Department Stores	None	None
6(2)	10,225	Montgomery Ward	13,200	4(1)
None	*None*	*Allied Stores*	*9,900*	*3*
Rubber and Tires:				
1	*3,000*	*Goodyear Tire & Rubber*	*19,300*	*3*
Steels:				
3	3,700	National Steel	None	None
3(1)	3,300	Youngstown Sheet & Tube	500	1(1)
None	*None*	*Republic Steel*	*5,700*	*4*
1	*1,000*	*United States Steel*	*6,300*	*4(1)*
Textiles:				
4(1)	6,000	American Viscose	600	2(1)
None	*None*	*Burlington Mills*	*1,500*	*2(1)*
Tobaccos:				
1	*500*	*American Tobacco "B"*	*7,300*	*5(3)*
Miscellaneous:				
None	*None*	*International Silver*	*7,700*	*2(1)*
2	700	Shellmar Products Corp.	None	None

1 Increase in part attributable to stock dividend.
2 Received as 5% stock dividend.
3 Purchases in part effected through exercise of rights.
4 Received as dividend on United Light & Railways.
5 Received as dividend on American Gas & Electric.
6 Received as dividend on Middle West Corp.
7 Received as dividend on Public Service of Indiana.
8 Increase in part resulting from liquidating dividend on North American.
9 Includes shares received under plan of reorganization.

NOTE—This survey covers 55 trusts but purchases or sales of trusts sponsored by one management group are treated as a unit. For example, the several trusts sponsored by Calvin Bullock are considered as having the weight of one manager. Overseas Securities, American General Corp., and First York Corp. included in addition to companies listed in companion table.

Jas. H. Oliphant Co. Celebrates 50 Years

Jas. H. Oliphant & Co., 61 Broadway, New York City, members of the New York Stock Exchange and other leading Exchanges, are this year observing the 50th anniversary of the founding of the firm. The firm is one of only 35 firms now retaining the same name carried in 1898 when the Stock Exchange had 382 member firms according to Floyd W. Mundy, partner.

All partners of the firm came up through the organization, six of them having been with the firm for 30 years or more. A large number of customers have dealt with the firm for more than 25 years. Among employees, 40% have served for more than ten years each, and 31% for more than 20 years.

Jas. H. Oliphant & Co. from the outset established a policy of confining its activities to the commission business, doing no underwriting and having no securities for sale and no salesmen, although it does supervise individual investment portfolios.

St. Louis Municipal Dealers' Annual Outing

ST. LOUIS, MO.—The annual outing of the St. Louis Municipal Dealers Group will be held on June 17 and 18. The program planned will include luncheon at the Missouri Athletic Club, a cocktail party at the Stack Club, and dinner at the Edgewater Club on June 17. On June 18 there will be golf and dinner at the Norwood Hills Country Club. Reservations should be made with Joseph A. Glynn, Jr., Blewer, Heitner & Glynn. Registration fee is $20.

John B. Dunbar & Co. Announce Additions

LOS ANGELES, CALIF.—John B. Dunbar & Co., 634 South Spring Street, announce that on the 1st of June, 1948, R. F. Ruth, III, Robert B. Sheahan, Frank S. Halvorsen and Albert O. Nelson became associated with the firm. All were formerly connected with R. F. Ruth & Co., Los Angeles. Milton C. Brittain and R. F. Ruth, III have been appointed Vice-President.

F. J. McKeadney, formerly with C. E. Abbett & Co. has also recently joined the organization.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

William E. Nulty retired from partnership in Dreyfus & Co. on April 30.

Karl P. Herzer retired from F. S. Moseley & Co. on May 31.

Clement B. Newbold, limited partner in W. H. Newbold's Son & Co., will become a general partner effective July 1.

Palen Nelson, member of the Exchange, died on May 21.

John A. Guion, partner in Scholle Brothers, died on May 20.

Bowling Concluded

PHILADELPHIA, PA.—E. H. Rollins & Sons' keglers, champions of the Class "A" division of the Philadelphia Bankers and Brokers League, defeated Gerstley, Sunstein & Co.'s timber topplers, Class "B" champs, in the final play-off last week. Hecker & Co. and Paul & Co. were runners-up in their respective divisions.

Uncontrolled Inflationary Tendencies

(Continued from page 6)

sponding cost increases which have been quite generally reflected in selling prices."

The real difficulty began with President Truman's wage-price policy which he announced on Aug. 18, 1945. This policy was so controversial that when it was revised on Oct. 30, 1945, it caused a rift in Administration circles that grew so intense, it too, had to be abandoned. For weeks after, there were bewildering promises of a new wage-price policy which was described as a policy that meant not a "break" but only a "bulge" in the line. Bernard Baruch summed up the situation when he said: "Stop bunking the public by saying wage increases can be granted without an increase in price levels." On specific questions, the Administration was confused. The Reconversion Director testified that he believed it would involve no material increase in the cost of living. The Federal Reserve Board Chairman predicted that it would cause living costs to go up 40% above prewar levels, or 10% higher than they were. The Economic Stabilizer disputed this prediction, testifying that he "hoped" the increase would be "no more than half of that, say, 5%."

During the past year, wage disputes have caused industrial unrest, as witnessed recently in the meat-packing, automobile and railroad industries. Negotiations on wages are in progress in the coal mining industry with respect to the wage contract in the bituminous coal industry which expires June 30. The action in the coal and automobile industries on wages will develop the pattern to be followed by labor in 1948 in seeking wage increases.

Strikes have been on the increase lately, as evidenced by the fact that in March, six million man-days were lost against 725,000 in February, due principally to the dispute over pensions in the coal industry. The situation is explained as being the result of a general opinion last fall that the request for a third round of wage increases would find industry agreeable when major wage contracts expired. In February commodity prices decreased and the cost of living began to show signs of leveling off. Corporation sales as a result did not increase as easily and quickly. Corporations decided to resist wage increases as inflationary and countered with the announcement by some industries of reduction in prices.

The situation is becoming tense with the real test due in the present negotiations in the coal industry. Government labor and economic specialists report that not one strike has been won this year. While the public anxiously watches developments, the Ford Motor Co. gained nationwide notice in its request to the United Auto Workers to take a wage cut —"to accomplish an objective of public security." The request was a bomb-shell in labor circles, with Chrysler employes on strike and coal miners seeking a new wage contract. The Ford Co. in its appeal to the United Auto Workers warned that "continued rise in wages will bring an end to the period of high employment."

Labor rejects the theory almost universally accepted, that you cannot adjust prices upward without affecting prices unless production is correspondingly increased. Otherwise the increase must be absorbed by industry or added to the cost of the manufactured product resulting in an increase in price to the consumer. In this connection, it is significant to note that Great Britain with a Labor Government has found it necessary to freeze both wages and prices because of the fundamental facts that an increase in wages without increasing production is inflationary.

High Taxes

Another menacing influence is reflected in high taxes paid by corporations and individuals. It is contended by some that excess purchasing power should be siphoned off through high taxes. From the standpoint of the individual, it means decreasing the incentive to work a full week at his occupation and is often the reason for the remark frequently heard, that to miss a day's work is not important as the income tax collector will receive that much less.

From the standpoint of industry, the burden of taxation retards the replacement of needed equipment or expanding facilities. Excessive taxation also restricts the flow of venture capital which is essential in promoting the needs of industry.

So burdensome has taxation become that 30 cents out of every dollar earned by individuals finds its way to the tax coffers of the nation. In addition, approximately 20 cents of every dollar spent in retail stores goes for taxes.

The recent tax reduction law enacted by the 80th Congress is a healthy sign since it reflects the fact that the subject of taxation is receiving attention that has been long overdue. Taxes are not as fully understood by the American people as they should be, due to the fact that they are often indirectly applied on the theory that they are not noticeable and if so, should be accepted as a premium paid for the blessing of being an American. This false philosophy is becoming more widely understood and when the public is thoroughly aroused to the fact that wasteful government policies maintain high taxes, we can hope for a revision in our tax laws.

Government in Business

While on the subject of taxes, it is pertinent to point out the encroachment of the government in the field of private business. In 1921, there were 19 government corporations in existence. Today the number has increased to 86, the majority of which are engaged in business activities, including production, transportation, power, housing, insurance and banking.

The increase in the number of government corporations up to 1945 has been accompanied by a correspondingly greater influence upon the national fiscal structure. This is indicated by the fact that the budget of the United States Government for the fiscal year 1949 contains an estimated income of $2,982,000,000 and estimated expenses of $3,677,000,000 for wholly owned and related unincorporated credit agencies.

The participation of the Federal Government in the agricultural credit structure of the country is carried out through a complicated system of agencies. The farm-credit system is comprised of the Farm Credit Administration, a non-incorporated governmental supervisory agency, and 51 corporations; for operating purposes, the Nation is divided into 12 farm-credit districts one of which includes Puerto Rico. At each district office there are four corporations—a Federal land bank, a Federal intermediate credit bank, a production-credit corporation and a bank for cooperatives—48 corporations in all. The other three corporations are in Washington, D. C. They are the Federal Farm Mortgage Corporation (the land banks act as agents for Federal Farm Mortgage Corporation), the Regional Agricultural Credit Corporation and the Central Bank for Cooperatives. The government subsidizes the farm credit system in various ways which are not clearly disclosed in the financial statements of the participating agencies. The amounts are substantial but some cannot be accurately determined. The principal subsidy arises out of the supplying of large sums of free capital. The land banks for example had $9,000,000 such capital when they were first established in 1917 which later was increased to $314,000,000.

The government has received no return to compensate for the interest paid by the United States Treasury (out of funds supplied by taxpayers) on the public debt incurred to supply such capital. Furthermore, the entire earnings of the land banks (nearly $130,000,000 at June 30, 1946) became the property of private interests, although to a considerable extent earned directly or indirectly from the use of free government capital. One of the results of this situation is illustrated by the fact that in 1946 one of the land banks paid a 20% dividend to its stockholders.

Typically in the farm-credit system, the corporations receive free capital in excess of their needs. The excess is invested in U. S. Treasury bonds, the interest on which is another form of subsidy paid by the Treasury as interest on the public debt. The banks for cooperatives, for example, had $178,500,000 free government capital at June 30, 1946, and over $54,000,000 invested in U. S. Treasury bonds and certificates. Approximately two-thirds of the accumulated earnings of these banks to June 30, 1946 came from such investments and from profits realized through trading in U. S. Treasury securities on the open market.

The Production-Credit Corporations, although they have no lending powers, held at June 30, 1946, $101,250,000 free government capital and held nearly $70,000,000 in long-term U. S. Treasury bonds. These corporations receive almost all their gross income, out of which they pay their expenses, and to June 30, 1946 had accumulated over $15½ million dollars surplus earnings from this form of subsidy. Furthermore, this subsidy, as well as the free capital subsidy, is extended through the corporations to the production-credit associations which are now, or are intended to become, wholly privately-owned.

If an interest cost of 2% per annum is assumed, the subsidy represented by free capital supplied in 1946 would approximate $3,150,000 for the banks for cooperatives and $2,000,000 for the Production Credit Corporations. The subsidy represented by interest on investments of excess free government capital in U. S. Treasury bonds, including profit from trading in such securities, was nearly $1,250,000 and over $4,350,000 respectively.

The U. S. Treasury bonds held as investments are also used by the lending agencies as collateral for loans from commercial banks or public issues of debentures, thereby favorably affecting the cost of funds from those sources.

Another important subsidy is the contributions, or liability therefor, made by the government to the Civil Service retirement and disability fund with respect to the employes of the Farm Credit Administration and the 51 corporations supervised by it. As to the land banks, now privately owned, based on 1946 payrolls, this cost is approximately $600,000 annually.

The government also pays the employes' compensation, cost of office space and other expenses for the benefit of the farm-credit system for which the government receives no reimbursement.

In considering the government corporations appropriation bill for the fiscal year 1949, the House Committee on Appropriations said: "The Committee does not seek to pass judgment on the questions of whether or to what extent the government should participate in the farm-credit structure and activities of the country. However, it is of the opinion that the expense to the government of its participation in all fields of endeavor should be fully realized by the Congress and the people. The consequences of failing to take notice of all of the expenses to the taxpayers of any program, are to place in jeopardy the lifeblood of the country—its financial and fiscal well-being. Therefore, the Committee is of the opinion that the Congress should require the farm-credit system to pay for all costs incurred by the government for the benefit of the system. Only in this way will the actual costs of operating the system be disclosed, thereby showing whether interest rates charged borrowers are economically sound and informing the Congress as to the actual cost, if any, incurred by the government in order to supply agricultural interests with credit. Legislation is needed to accomplish this purpose."

My purpose in explaining the manner in which the Farm Credit Administration is operated is due to its prominence in the field of credit-banking and the direct subsidies it enjoys at a time when we are concerned with a balanced budget and reduction of the public debt as essential curbs on inflation.

It is significant to note that loans made by Production Credit Associations have increased in amount about 50% since the end of the year 1945. These Associations, referred to as "P.C.A's," have become increasingly independent of the Production Credit Corporations. The Class A nonvoting stock of the Associations which was held by the Corporations at the end of 1939, amounted to $75,369,675; at the end of 1945 it was reduced in amount by some $20,000,000; and at the end of 1946 it had been reduced to $46,033,615 and was further reduced at the end of 1947 to $34,917,800.

Huge Cost of Government

As a nation we are spending four times as much as we did in the pre-war period for the functions of government. This huge cost is further emphasized by the fact that our cost of all government is now about $50 billion annually or more than we spend for food. The taxpayers of America are paying for bureaucratic fumbling, and colossal waste that has added billions of dollars to the swollen public debt. We need to be informed of the true condition of our fiscal affairs instead of being shocked occasionally by newspaper reports of thousands of bushels of potatoes being destroyed by the government or of the negligent manner in which surplus war material has been disposed of.

Free enterprise through its tax dollars is striving to put the nation on its feet and it is a sad commentary to realize that our government is actively competing with private business and using tax dollars for that purpose.

With further reference to these various government lending agencies and their impact on the financial structure of the government and business conditions, we are striving in the field of private banking to comply wholeheartedly with the A.B.A. program of voluntary control over credit. While I am in full sympathy with the objectives of the A.B.A. program and giving it my active support, I feel that the program should be extended to every sector of the credit field, including all government lending agencies and every other type of loaning agency in the field of private credit. Only by enlisting every agency of credit-lending authority in the nation can we hope to enjoy the full fruits of such a program. In this connection, I have not touched in detail on the subject of F.H.A. mortgages, G.I. loans or various other forms of credit extended by government agencies because of lack of time, and the knowledge that they are by law required to adhere to certain provisions. Yet there should be no restrictions on any government lending agency in following a sane course of action that would require adhering to sound banking rules in determining the eligibility of the borrower from the standpoint of character, capacity and capital.

If government lending agencies are exempt from the A.B.A. plan of voluntary credit control, it is not alone unfair to the banking profession but to business in general and will prove a detriment to the effort being made to halt the inflationary spiral. It is particularly unfair to country banks which are especially affected by the operations of the Farm Credit Administration and its far flung activities.

While we are on the subject of credit control, it is my opinion that the proposed special or secondary reserve requirement (which would apply to non-member commercial banks as well as to members) will have an adverse effect upon the banking industry, particularly the smaller, so-called "country banks." The special reserve requirement to hold cash or short-term government securities of up to 25% against demand deposits and up to 10% against time or savings deposits, in addition to the regular reserves, would in all probability force many of our country banks to dump longer term government securities or compel them to liquidate sound and necessary loans. The forced disposition of securities or loans yielding a necessarily higher income than short-term securities, which would have to be held, would drastically curtail the earnings of many banks whose break-even points have become very high because of spiralling wages, taxes and maintenance costs. It is my opinion that the special reserve proposal would have the effect of greatly weakening our private banking system and the trend toward nationalization of banking would be accelerated. Incidentally, I am greatly relieved from reports I have heard that the special reserve proposal has little or no chance of passage.

In voicing my thoughts, I am tempted to tell you a story that is one of the favorite yarns of Dr. Isaiah Bowman of Johns Hopkins concerning two gentlemen who went to a political meeting. At the end of an hour and a half of arguing, one asked the other: "Well, now, what do you think?" And the second gentleman said: "Hell, I didn't come here to think, I came to holler."

I am trying to make my contribution to your program without hollering.

As a Nation, if we are to earnestly and sincerely seek a solution to the problem of inflation, it is going to require real thought and not mere lip service. It has been my endeavor to identify some of the pitfalls which, if unheeded, will lead us further along the inflationary road.

Summary

Summarizing briefly, we must have economy in government for only through such action can we break the shackles forged by taxation, for our taxes pay the cost of government. With true economy, we will be able through lower taxes to release funds so badly needed as venture capital in our economy. We will also stand a better chance of realizing our objective of a balanced budget and reduction of the public debt. It is realized that increased appropriations for the rearmament program and the uncertainty of the needs of the European Recovery Program and other forms of foreign aid, will require us to

"tighten our belts." However, if the nations of Europe as well as the United States can curb inflation, our aid will mean sound value for every dollar spent since it will not be decreased in dollar volume at home or abroad.

American free enterprise is our salvation if we will permit it full expression. It can be attained through our industrial genius and our skilled labor. We cannot achieve our goal with the added obstacle of competing with our own government in fields that should be within the realm of free enterprise. Thomas A Edison correctly summed up such a situation when he said: "There is far more danger from a public monopoly than there is in a private monopoly, for when the government goes into business, it can always shift its losses to the taxpayers. The government never really goes into business, for it never makes ends meet and that is the first requisite of business. It just mixes a little business with a lot of politics and no one ever gets a chance to find out what is actually going on." Thomas A. Edison's thoughts are synonymous with the words of the immortal Lincoln which the great Emancipator uttered in a speech to a group of Sunday school children in New York City long before he was President. Here are two sentences that speak volumes: "You children must always thank God that you have been born in a country where, if you will lead a decent, clean life, trust God, and work hard, you can rise. The only things that will limit you are your industry, your character, and your brains." Since Lincoln's day, we have a more sinister threat to our unity because it stems from foreign shores and from an alien philosophy that would make all men the slaves of the State.

There is no foreign panacea that can cure our national ills. Our salvation lies in a deep faith in God and a double-barreled dose of good old-fashioned Americanism, which includes hard work to increase our production, a spirit of patience and unselfishness, and, if need be of patriotic self-denial, by prudent saving of our income, to curtail demands that may add fuel to the fires of inflation. It has been truly said that "the love of God sharpens the tools of justice; it is the love of freedom that sharpens our incentive to produce." God grant we will meet the challenge to our form of government and the threat to our economic security, so that future generations may enjoy the blessings of living, as their forefathers did, in a nation that, under God, has become a world symbol as a respecter and preserver of the human dignity of mankind.

J. B. McFarland 3rd With H. M. Byllesby

PHILADELPHIA, PA.—H. M. Byllesby & Co., Stock Exchange Building, announce the association with them in the trading department of James B. McFarland, 3rd. Mr. McFarland was formerly with the Philadelphia office of First Boston Corp. The facilities of Byllesby's Philadelphia office trading department have recently been expanded.

G. H. Wyckoff With Buckley Bros. in Phila.

PHILADELPHIA, PA. — The Philadelphia and New York firm of Buckley Brothers, members of the New York and Philadelphia Stock Exchanges, announces that George H. Wyckoff has become associated with them in the Municipal Bond Department of their Philadelphia office, 1420 Walnut Street. Mr. Wyckoff was formerly with A. Webster Dougherty & Co.

The State of Trade and Industry

(Continued from page 5)

basing point system with its major basing point areas and its freight absorption works to the advantage of the consumer, as well as the producer.

It must be said for some Federal Trade Commission members and their chief legal counsel on steel that they have not been privately in favor of junking the entire basing point system, "The Iron Age," states.

As long as the Supreme Court ruling on the basing point stands it is realistic to think that the system is out the window—even though a fight will be made. That is why many steel officials believe that "chaos," as they see it, can only be prevented by legislation supporting the present method of selling steel.

As if the steel industry did not have enough to worry about, the General Motors wage settlement has isolated their attempt to stay or prevent the third round of wage increases. Because auto wages are important national factors it may be that U. S. Steel will have to look at their "price cutting-no wage increase" experiment sooner than they thought, this trade authority concludes.

The American Iron and Steel Institute announced on Tuesday of this week the operating rate of steel companies having 94% of the steel-making capacity of the industry will be 96.0% of capacity for the week beginning May 31, 1948, a decrease of 0.8 points, or 0.8%, from last week. A month ago the indicated rate was 91.0%.

This week's operating rate is equivalent to 1,730,400 tons of steel ingots and castings as against 1,744,800 tons last week, 1,640,300 tons a month ago, 1,697,400 tons, or 97.0% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, the highest prewar year.

CAR LOADINGS RISE 3.7% ABOVE PRECEDING WEEK

Loadings for the week ended May 22, 1948, totaled 879,158 cars, according to the Association of American Railroads. This was an increase of 31,755 cars or 3.7% above the preceding week. They represented a decrease of 11,447 cars or 1.3% below the corresponding week in 1947 but an increase of 307,685 cars or 53.8% above the same week in 1946 when coal loadings were reduced by labor troubles in both the railroad and coal industries.

ELECTRIC PRODUCTION AGAIN SHOWS SLIGHT DECLINE

The amount of electrical energy distributed by the electric light and power industry for the week ended May 29 was 5,076,025,000 kwh., according to the Edison Electric Institute. This was 9,387,000 kwh. below the output for the preceding week. Production for the May 29 week was, however 646,916,000 kwh., or 14.6%, in excess of that for the week ended May 31, 1947 (which included Memorial Day) when output totaled 4,429,109,000 kwh. and was the 21st consecutive week that over 5,000,000,000 kwh. were turned out.

In the electric power industry of the country, postwar expansion of the nation's industries along with increased electrification of homes and farms, has created an unprecedented demand for electricity and this demand can be fulfilled, according to authorities in the industry, with power plants operating at peak output for several years.

AUTO OUTPUT ADVANCES FURTHER THE PAST WEEK

Production of cars and trucks in the United States and Canada rose last week to an estimated 92,105 units from 91,138 (revised) units the previous week, according to "Ward's Automotive Reports."

Output a year ago was 79,315 units and, in the like week of 1941, it was 106,395 units.

This week's output consisted of 61,340 cars and 26,608 trucks made in the United States and 2,480 cars and 1,677 trucks made in Canada.

Commenting that "the industrial scene now is charged with optimism," it stated that "June, with its 22 working days, could be a 500,000-unit month."

BUSINESS FAILURES IN LATEST WEEK HIGHEST SINCE EARLY MARCH

After a two-week decline, commercial and industrial failures increased in the week ending May 27 from 92 to 112, the highest level since early March, reports Dun & Bradstreet, Inc. Concerns failing outnumbered the 72 in the comparable week of 1947 and the 18 in 1946. In fact, more casualties occurred than in the same week of any of the last five years, but they were less than half as high as in prewar 1939 when 249 occurred.

Failures involving liabilities of $5,000 or more predominated, totalling 91 against 78 in the preceding week and 63 in the corresponding week a year ago.

Retailing had the largest increase in failures, with casualties rising from 29 to 45, almost three times the 19 reported in the comparable week of 1947. Thirty-eight manufacturers failed, up from 30 last week and 31 a year ago.

One-third of the week's casualties were concentrated in the Middle Atlantic States.

FOOD PRICES LEVEL SHOWS CONTINUED UPWARD TREND

A further mild rise lifted the Dun & Bradstreet wholesale food price index for May 25 to $6.94, from $6.01 a week previous. The current figure represents an increase of 15.3% over the $6.02 recorded a year ago. It now stands at a level about midway between the Jan. 13 high of $7.28 and the low point of $6.61 touched on Feb. 24 and March 9.

Commodities that moved higher last week were lard, butter, sugar, cocoa, potatoes, rice, steers, and hogs. Declines included flour, wheat, corn, oats, barley, cheese, cottonseed oil and lambs.

COMMODITY PRICE INDEX CONTINUES UPWARD MOVEMENT

There was a further slight rise in the Dun & Bradstreet daily wholesale commodity price index although individual price movements continued to be irregular. The index finished at 285.30 on May 25, comparing with 284.84 a week earlier, and with 254.56 on the corresponding date a year ago.

Wheat prices were steady and firm in the early part of the week but later developed an easier tone largely due to reports of good rains over parts of the West and Southwest.

Sales of wheat futures increased moderately during the week but volume remained below that of a year ago. Government buying of wheat and flour continued in good volume. Seeding of spring wheat in the Northwest was reported virtually completed with the crop off to a good start as the result of generally favorable moisture conditions. Cash corn showed strength until the latter part of the week when prices eased as the result of more liberal receipts and optimistic early season reports on the crop. Domestic flour bookings remained slow with most bakers continuing to hold off despite reports of price concessions by some mills.

Livestock markets showed marked strength. Choice top steers sold at highest prices since last February: lower grades were firm to slightly higher.

Hogs made steady advances in the week despite liberal marketings prices rose from $3 to $4 per hundredweight over a week ago. Demand for cash lard showed improvement and prices averaged slightly higher.

Cotton markets were irregular last week. While showing strength at times, values moved downward at the close with spot prices at New York showing a net drop of 62 points for the week, in contrast with the rising trend of the two previous weeks. The easiness resulted from heavy liquidation prompted by reports that the ECA would halt all purchases of the staple for the time being and favorable weather and crop news regarding the new crop.

Sales of cotton in the ten spot markets showed a small gain for the week. Mill demand continued to lag with limited inquiries reported for both prompt and forward shipment.

Consumption of cotton during April as reported by the Census Bureau amounted to 830,000 bales, or somewhat less than had been anticipated. This compared with 879,000 bales in March and 882,000 bales in April last year. Total consumption of the staple during the first nine months of the current season was placed at 7,131,000 bales, as compared with 7,810,000 bales during the corresponding period a year ago. Textile markets were characterized as slow with prices showing easiness in some constructions.

There was considerable increase in activity in the Boston raw wool market last week with strengthening prices noted for both wool tops and wools.

In the West, demand for half-blood staple wools continued brisk at progressively higher prices. All but a few choice lots in Texas and the Territory States were reported to have been sold on a contract basis. Reports from foreign primary sources indicated all markets very active with competition keen and prices on the upgrade.

RETAIL AND WHOLESALE TRADE MODERATELY HIGHER FOR WEEK AND YEAR

The approach of graduations and vacations stimulated the demand for many types of seasonal merchandise. Numerous consumers sought wedding gift specialties.

Retail dollar volume in the period ended on Wednesday of last week was moderately above the levels of both the preceding week and the corresponding week a year ago, Dun & Bradstreet, Inc., reports in its current trade summary.

Considerable resistance to high prices remained evident and consumers continued to stress quality along with many requests for credit.

The demand for summer apparel increased moderately. Promotions of medium-priced cotton dresses and beach-wear attracted very favorable attention. Light-weight blouses, scarfs and hosiery continued to sell well and cotton petticoats remained among the more popular lingerie. Men's light-weight suits, slacks and sport jackets were steadily purchased along with straw hats and summer accessories.

There was a slight increase in retail food volume. Mild weather in many areas stimulated the demand for picnic specialties. Fresh fruits and vegetables continued to sell well along with poultry and dairy products.

Cheaper meat cuts and meat and butter substitutes were frequently requested.

Sustained warm weather in some areas resulted in a moderate decline in the purchasing of bakery products.

Lawn and porch furniture continued to sell well as did summer curtains and slip-covers. The response to promotions of dishes and pottery was favorable. However, there was a moderate decline in the demand for paints and cleaning preparations. Garden equipment and tools were steadily purchased, though dealers in tires and automobile accessories reported a slight decrease in volume.

Retail volume for the country in the period ended on Wednesday of last week was estimated to be from 7 to 11% above that of the corresponding week a year ago.

Regional estimates exceeded those of a year ago by the following percentages: New England, 4 to 8; East and Middle West, 6 to 10; South, 5 to 9; Northwest, 9 to 13; Southwest, 10 to 14, and Pacific Coast, 2 to 6.

While orders for fall merchandise increased somewhat, many retailers continued to seek goods for current stock replacement. Offerings of specially priced merchandise for seasonal promotions were eagerly purchased. Prompt deliveries were stressed by most buyers. The total dollar volume of wholesale trade increased slightly during the week and remained moderately above the level prevailing in the corresponding week a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended May 22, 1948, increased by 7% from the like period of last year. This compared with an increase of 8% (revised) in the preceding week. For the four weeks ended May 22, 1948, sales increased by 7% and for the year to date by 6%.

Retail trade in New York a week ago was active with sales volume for department stores reflecting a sharp increase percentage-wise over that of the like week of last year.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to May 22, 1948, increased 8% above the same period last year. This compared with a like increase in the preceding week. For the four weeks ended May 22, 1948, sales increased by 7%; and for the year to date by 5%.

Measuring the Stock Market

(Continued from page 3)
like this you are getting down close to the grass roots of the stock market.

"XYZ Town, Conn.
"Sunday, Dec. 14

"Dear Sir:

"I am sorry I did not write you sooner to thank you for your kindness in replying to my letter regarding Sun Ray Oil. I wrote you a few weeks ago, as perhaps you might remember, I hope. So it is now 10:30 p.m., and just going to hit the hay as I get up at 5:15 a.m. I work for——company (21 miles from my home) anyway, all of a sudden it popped into my mind that I had clean forgotten to write you and thank you for your kindness in replying to my letter. I have watched the sun ray long time. I bought it first for about $8.00 then it went up to 12, and I set a stop loss order in, but set it too high, and first thing I know got sold out. So had to buy it back again at 11 and 12. It's just a hunch of mine that **if** I have enough patience that is to say for next couple years I might have something worth while. (Don't you think??? I am not **gready** but I have some plan, and **hope** this will enable me to realize it. But I got to have faith. I also realize that I am too far away from where things are happening, allthough I subscribe to Wall Street Journal and Forbes Magazine. It is really swell of you to write me, allthough I have done no business with you, and believe me I am deeply appreciative for you doing so. This 500 shares I own is everything I have, and I am sticking it out come hell and high water. I sure pray some miracle will happen that I might see it go to 25 or 30. When I see that then I'll belive in mirackles. I am just a little guy. Ex-sailer. Have had my ups and downs, but since 1938 been married, and have the best wife any man could ever have in this world. My own little home. Have $12,000 in insurance, just in case anything should ever happen to me, and to repay my wife for all the happiness she has given me, alltho it is really too much for me to carry, **but** if I **should** kick off, she will not have to worry too much. I am now 46 of age but look like 34-35. As have always lived hard clean life. Anyway, Mr. Comer, I don't think you are interested in this, but I just wanted you to **try** and imagine who or what I am. I **would** appreciate it **if** from time to time as time goes by, would or could let me know what **you think** goes on in the Sun Ray Oil situation, even if it takes a couple years, and when **you** or **if** you say should sell, then I will, and I'll pay you whatever you think is fair, after I sell it.

"Well, sir. Guess it's time to hit the hay, so will say goodnite, and again I thank you.

"I wish you and all your family the best Xmas, and the Happiest New Year of your life.

"Hope some time you will think about me as you go about your daily work, and push the darn thing up. So as the limey says, cherio and goodnite.

"I remain respectfully yours,
"A. B. C."

Here we are brought face to face with the fears and hopes of a small stockholder. This is the genuine article. It is letters like this that make one approach the stock market in a spirit of great humility, realizing that after all the stock market is just people.

People who buy and people who sell. People who wish they had bought, people who wish they had sold earlier. Each transaction involves both. Money going into the market. Money coming out! Sometimes we may forget that money can be taken out of the market only if and when other people are willing to put money into market. We must not lose sight of this fact if we are to be successful in measuring the market. We must not make the common mistake of thinking that the stock market is an impersonal affair, a sort of inexhaustible warehouse from which we withdraw funds when we sell stocks and in which we deposit funds when we buy.

Constantly remembering that a market is **just people** will help to keep us on the right track.

Where Have We Been?

The trend of average prices at which transactions occurred represents the most useful way of measuring what people did in the market in the past under varying conditions and circumstances. Average pirces are used in order to get a centralized view on given dates. That is the statistical method of peering through the trees in order to see the forest. Perhaps a better statement here would be to say that we average what individual people do in order to reveal what the crowd is doing.

The compilation of market averages is a science in itself, a branch of statistics frequently referred to as the making of "index numbers."

Difficulties in Constructing Market Averages: It is impossible to set up a perfect stock market average, one that will truly measure the swings in the market, **particularly over long periods of time.** The major difficulty lies in attaining continuity in a field which is actually discontinuous. Stock dividends, stock splits, changes in capitalization, mergers, bankruptcies, new stocks, new industries, etc., present almost insuperable problems. Hence, at best a stock market average can be only an approximation.

Take, for example, the problem of a 100% stock dividend in an issue selling at, say, $100 per share. Ex-dividend, the stock price will be $50, and unless some adjustment is made in computing an average which includes this stock, an unreal decline would be reflected in the average.

There are several statistical methods of making such adjustment. The Dow-Jones method, for a number of years (since September, 1928) has been to change the **divisor** used in computing the average, so as to give the same result using the new stock price as would have been provided by using the old stock price and the previously-used divisor. The same method is followed when making substitutions in the list of stocks comprising the average. Since September 1928, there have been 25 changes in the divisor.

In that period the following divisors have been used, in succession:

12.7	12.11	9.85	15.1	12.2
16.67	11.7	10.38	14.8	11.76
16.02	11.18	15.46	14.2	11.44
14.65	10.77	15.71	13.6	11.36
13.92	10.47	15.74	13.3	10.98

Between 1920 and 1928 various multipliers were used by Dow-Jones in compiling the average and the constant divisor was 20. September 10, 1928, a constant divisor (12.7) was used for the first time, without any multipliers.

The present divisor is 10.55. In computing the Dow-Jones Industrial average the sum of the 30 stock prices is divided by 10.55. For this reason, at present, if each stock in the average should rise, say, one point per share, the Dow-Jones average would report a rise of almost three points (2.84 points, to be exact). Stated the other way around, when the Dow Industrial average moves up or down **one point**, it means that the typical stock in that group has moved only 35 cents per share.

(At present the Dow-Jones **utility** stock average moves point-for-point with the stocks as this average includes 15 issues and the divisor is 15. The Dow-Jones **railroad** stock average, which is comprised of 20 issues, moves nearly point-for-point, as its divisor is now 15.32.)

The New York "Times" method of adjusting for a 100% stock dividend is to **multiply** the price of the new stock by two, henceforth. As a result of accumulated adjustments of this sort, the "Times" now multiplies the price of Air Reduction by nine in computing its daily stock price averages. Also, duPont is multiplied by seven; American Can by six, International Harvester by four, American Tobacco by two. The "Times" realizes the desirability of getting rid of these multipliers, and has a program of "carefully thought out substitutions, to eliminate some of the multipliers by switching to another security of equivalent value." An example would be substituting a stock selling at 125 for another previously split five-for-one, now selling at 25, thereby eliminating the use of five as a multiplier.

The New York "Sun" daily average of 20 industrials has been compiled on an arithmetical average basis since 1939. The "Sun's" method is to adjust by changing multipliers, using the same plan as the New York "Times."

The New York "Herald Tribune," in compiling its stock averages makes adjustments necessitated by stock splits, etc., by a still different method — through **adding** a constant. Herein lies the near-fatal defect in these averages. Unfortunately, the total accumulated dead-wood inherent in these constants has risen to a point where it nearly invalidates the usefulness of the final averages. Measurement of **percentage** changes in the market is impossible through using the "Herald-Tribune" data. If each stock in the "Herald-Tribune's" composite average went to zero, the average would hang out on a limb, about 59.

The New York Stock Exchange has a series of averages which are computed at the end of each month, including all issues listed.

The Associated Press also publishes daily stock market averages (30 industrials, 15 rails, 15 utilities, and 60 combined stocks). In explaining **how the AP averages** are compiled, the Associated Press states, as follows: "When a stock split-up, stock dividend, or substitution occurs, the combination of addition and multiplication used to arrive at the average is done in reverse, to determine what divisor should be used to maintain continuity of the index." (Apparently, the AP adjustment method is like that used by Dow-Jones.)

Standard & Poor's Corp. uses an entirely different method in compiling its daily stock price indexes. Fundamentally, the S. & P. indexes include a weighting factor, wherein **each stock** is weighted according to the number of shares outstanding. Followed since 1926, this method automatically adjusts for stock dividends and stock splits. The net result is that S. & P. indexes reflect changes in **total market valuation** of the stock issues included.

For day-to-day or short-term purposes it does not make very much difference which of the leading averages is used in measuring the market—in trying to determine what **people** are doing. However, in making long-term comparisons—over a span of years—sometimes great inaccuracies creep into some of the averages.

An outstanding example of wide error in measuring the market is the Dow-Jones industrial average over the period 1929-1946. In September 1929 the highest prices on record were seen in the general stock market. At that time the Dow Average showed a high of 381. After World War II this measure of the market got up to 212.50 in May 1946. On the face of it, this average indicated that prices were a long way from their former highs; in fact, a further rise of 80% was needed to carry the market back to its 1929 high. Using these figures one would naturally conclude in 1946 that prices of industrial stocks (particularly the Dow-Jones 30 industrials) were far from their all-time high. Apparently many people who bought stocks in 1929 still had very large losses. That conclusion, however, was far from correct. Careful analysis of the position of stocks used in the average in 1946 showed that they were much closer to their 1929 top. In fact the attainment of figure 275 in the average would have marked a duplicate of the 1929 high. Hence, observers waiting for the 381 level to be crossed were aiming some 100 points too high.

The error here in measuring the market is too great to be dismissed lightly. It is the sort of error that can cause a lot of trouble—misinterpretation of what people are doing (and will do) in the market. In this case, the error was caused by faulty adjustments to allow for stock splits and substitutions among stocks comprising the Dow-Jones group.

Standard & Poor's Corporation avoids such errors; that company's price indexes are highly accurate in measuring percentage changes over long periods of time, in gauging what people are doing in the market. The 1929 high in that organizations weekly index of 354 industrials was roundly 198 (base, 1935-39 equals 100). The 1946 high was 163, or only about 18% below the 1929 top. This is the best measure of the markets position in 1946 relative to 1929.

And here is where **people** again come into our measurement Standard & Poor's indexes give consideration to the fact that **people** at all times hold more dollars worth of one stock than another. Total market value in the hands of people is worked out for each stock before it becomes a part of the overall average. (Moreover, each and every stock in the D-J average is found among the 354 issues comprising Standard & Poor's weekly index.)

Using these weighted index numbers we are able to trace accurately the **trend** of the market through the years. We are able to see what the investing public's reaction has been to the economic and political developments at various times in the past, and right up to today's close in the market. The stock market indexes may be said to record the financial pulse of the public at all times. And the record of past performance is the only basis upon which to diagnose the present situation. And, of course, a thorough understanding of both the past and the present is necessary in order to visualize the future. There is no other basis on this planet.

I understand that some market prophets refuse to be restricted to such a "small" field as this earth of ours. They search among the stars for clues to the future behavior of the stock market. I have received literature describing a new market forecasting service said to be based upon **Sidereal Radiation,** which is stated to be natural rays emanating from the depths of outer space. In this brochure, the promoters claim that the intensity of sidereal radiation, which correlates with the surge of human impulses, is "reflected in the underlying wave of stock market prices." It is said that "The available records of sidereal radiation bear a striking correlation with the records of human expression —ranging from the sexual, artistic and emotional to the political and economic." It is claimed that "with surprisingly few exceptions, the primary changes in the intensity of sidereal radiation are followed quickly by proportionate changes in the stock market averages."

For my own part, I have never yet been able to do more than scratch the surface of the vast amount of material available here on earth. As yet, I have no need of resorting to Astrology or star-gazing. There is still lots of work to be done in trying to analyze why people respond or fail to respond as they do to the many developments affecting investment sentiment.

Stock Market Cycles

In going back over the market's history, one is impressed by the fact that average prices tend to swing up and down, more or less in cycles. However, the rhythm of market cycles is not regular, either as to extent of movement or as to the time element. (It is mainly for these two reasons that ward in the same direction for or market analysts.) Nevertheless, once a broad trend is established it usually carries onward in the same direction for some time. This feature of price movement is the basis for what we call "Bull" markets and "Bear" markets. Study of the action of the market itself is probably the best way to determine whether we are in a **rising or falling** phase. Be that as it **may,** of one thing we may be **certain**— the market provides the speediest measure of the public's response to known developments and the public's fears and hopes concerning prospective happenings. Understanding **public psychology,** (that is, understanding what people will do in the market) is more difficult than forecasting economic or political trends. For example, it is one thing to work out a forecast of **increasing business activity** and yet quite another thing to translate that estimate into a forecast of what **people** will do about it— what the stock market trend **will** be.

Stock Prices and Industrial Production—Normally in peacetime there is a fairly close relationship between the trend of the stock market and the Business Cycle as measured by the volume of industrial production. Expanding industrial activity provides a background for a rising stock market. The market has a reputation of foreseeing changes in business and in performing its function of trying to discount coming events the market frequently moves upward early in the business cycle. Also the market has been given credit for anticipating coming declines in business. Examination of past performance shows that it is customary for stocks to top out a little ahead of business but usually **only a month or two earlier.**

Analysis of 10 important tops in stocks in this century, up to World War II shows that stocks topped out 1.1 months ahead of business.

In 1899 the bull market high was registered in September. Business kept on rising until January, 1900. Hence the lead of stocks over business was 4 months.

In 1903 stocks saw their crest in February, but industry continued to expand its output until the following April, a 2-months lead by stocks.

In 1906 both series apexed in the same month, January.

In 1909, November was the month of peak prices in stocks.

Business topped just one month later.

The next bull market reached its height in September, 1912, but the business cycle (industrial production) moved on upward until January, 1913, or 4 months afterward.

In later bull markets, stocks topped out not more than two months ahead of business. In one case, the year 1929, stocks **lagged** business by three months. Business had seen its high in June of that year. But the momentum of the greatest bull market in history carried quotations on upward to all-time heights in September of that year.

In practice, during peacetime it is difficult to make use of the observed relationship of stocks to coming business trends. Several difficulties come into the picture. First of all should be mentioned the fact that reports from business are always a month or two late. Even if the statistics were right up to date, it would be difficult, if not impossible, to recognize a top during the month in which it occurred. One cannot be sure even one or two months later, because usually the month-to-month changes in the business index are so small that considerable guessing is necessary in trying to name a top even after it has occurred.

What we have said here refers to normal peacetime relationships. The situation is thrown all out of gear by war. Take World War II, for example.

As measured by volume of production, the American business cycle was scraping bottom in 1933. At the same time, average prices (stock) began a long upward climb. Both business and stocks suffered relapses in 1937-38. However, at the outbreak of World War II in 1939, both industrial operations and the stock market stood at levels more than double their status in March, 1933.

A spurt in stocks in the Autumn of 1939 soon faded, and, as more and more investors concluded that the United States would ultimately be dragged into the conflict, the stock market turned downward in a movement that was to last two and a half years.

Stocks finally bottomed in April, 1942, some four months after Pearl Harbor. Meanwhile, industrial production had soared to new all-time highs, under the "forced draft" of all-out warfare. Thereafter, with rising confidence in victory over Nazism, the American stock market started an upswing that was destined to continue four years. In May, 1946 stock prices averaged almost 3½ times their early 1933 level. By that time, however, industrial production had receded drastically from the wartime peak (October, 1943) and had registered its post-war low (February, 1946).

Bull Market Tops vs. Cyclical Peaks in Industrial Production

Year	Bull Market Top in Stocks	Cyclical Peak in Production*	Lead of Stocks Over Production
1899	September	January (1900)	4 Months
1903	February	April	2 "
1906	January	January	0 "
1909	November	December	1 "
1912	September	January (1913)	4 "
1916	November	November	0 "
1919	November	January (1920)	2 "
1923	March	April	1 "
1929	September	June	(lag) 3 "
1937	March	March	0 "

*Based on Cleveland Trust Company's index of American Industrial Activity.

In other words, close parallelism of the stock market and the business cycle ended in the Autumn of 1939, when the war started. In the nearly 9 years since that time any resemblance, one to the other, has been purely coincidental, as the fiction writer says in referring to the names of characters in his story.

Actual return of peace or confidence in a prolonged period of peace would go a long way toward restoring the time-honored relationship between the business cycle and the market cycle. Given peace, current stock prices will prove to have been very low in relation to industrial activity.

Where Are We Now?

Are stocks cheap on Earnings?: Security analysts make considerable use of a tool called the "price-earnings ratio." For example, they say that stock "A" is selling at 5 times its earnings per share, while stock "B" in the same industry may be priced at 10 times its earnings (or its estimated earnings). Hence, "A" is said to be priced lower on earnings than stock "B." Again — if a stock sold at 8 times earnings a couple of years ago, and is now priced at only 5 times current earnings, it is obviously cheaper on earnings than it was at the earlier date. These comparisons are, of course, very crude. They depend upon the true comparability of earnings. They may be partially invalidated where there has been any difference in method of computing earnings. After proper adjustments, however, the price-earnings ratio is a valuable tool. It is a measure of what people are doing in the stock market about earnings. If people refuse to respond to rising earnings by purchasing stocks and lifting stock prices, confidence in those earnings is seen to be at a low ebb. In periods of real optimism, on the other hand, stocks will sell at relatively higher ratios to earnings.

Historically, the ratio of price to earnings has varied widely not only as among different stocks and groups at a given time but also, in the case of a general average, over a period of time. Thirty years ago, in 1918, the stocks then comprising the Dow-Jones industrials sold at about 3 times earnings. By 1926 the common multiplier had risen to 10. In 1929, it reached a top of about 25, at the high prices of that year and slumped to about 10 at the panic low prices of that year.

The multiple of current annual earnings which a stock commands in the market place at any given time is, of course, influenced by a wide variety of factors. These include, among others, rate of interest on high-grade bonds, phase of general business cycle, estimated **trend** of company's earnings, degree of "seasoning," financial and trade position of company, asset value, dividend policy, "leverage" factors, style factors, etc. After all, the price-earnings ratio is merely the arithmetical result of dividing the price by the earnings, after price has been determined as a result of interplay of all demand and supply forces.

Industrial profits in the aggregate have risen each year since 1932, except 1938 and 1942. Last year's expansion in earnings was by far the largest in 20 years. Yet stocks refused to budge. This refusal indicated lack of confidence on the part of people. It is true, however, that stocks this Spring were priced lowest in many years, in relation to earnings. They are still very cheap on earnings, as the rise from 1948 low prices in the stock market is now only about 18% (based on 402 stock composite average).

Are Stocks Cheap on Dividends?: Dividend returns of 6% to 8% or more are easy to find now on medium or fair quality stocks. In comparison with the low yields available on other types of securities (low interest rates) stocks are attractive indeed. Here, again, the personal factor controls. If sufficient people regain faith in the continuity of such dividends, they will push money into the market and force prices up. Hence, yields available to late comers will be lower. What people are doing about these attractive dividends is an important factor in determining the future trend of stock prices.

Present Levels Compared With 1946: Using the best measure of the **Industrial Share Market**, Standard & Poor's index of 354 issues, stock prices are now about 15% below the postwar highs reached almost exactly two years ago. Moreover, these stocks are now only 30% below the historical highs of 1929.

Of course, these comparisons are based upon market quotations in terms of **dollars**. Since September, 1929, the purchasing power of the dollar has fallen 40%. That percentage is the official figure from the Bureau of Labor Statistics; it is based upon Wholesale Commodity Prices. If we adjust stocks to allow for this deterioration in the value of our measuring rod (the dollar) it is found that stock prices are now only 43% of their 1929 highs.[1] Adjusted figures of this sort are useful in **broad economic** analysis. However, in interpreting technical market movement the unadjusted figures are more widely used. The reason for this is that most people have a nasty habit of remembering the actual prices they paid for their stocks. They think in terms of dollars. They habitually measure their profits or losses in dollars— not in terms of the cost of living or of commodity prices.

Is Inflation Bullish on Stocks?: Rising commodity prices do not necessarily spell bull markets in common stocks. In fact the biggest bull market of all time, that of the late 1920s, occurred without benefit of any rise in the commodity price-level. From 1926 low to 1929 high, the typical industrial stock **rose** about 140%. Meanwhile, wholesale commodity prices (U.S.B.L.S. all-commodity index) scored an actual net **decline** of about 5%. During the 4 years 1926-1929, commodity prices were unusually steady, having a maximum range from high to low of only about 10%.

A big downswing in commodity prices, however, is likely to be depressing on stock values. The experience of 1920-1921 is the outstanding case in point. In that post-World War I period, commodities slumped some 40% from the middle of 1920 to the middle of 1921. Stocks had turned down late in 1919 and also fell about 40% before levelling and reversing.

In some of the published comments about the inflation which has plagued our economy for a number of years, it is frequently stated that the stock market had failed to respond to the upward force of inflation. A brief review of history should serve to dispel any such notions.

March, 1933 marked the start of our present enormous inflation. Wholesale commodity prices in this country had just reached their lowest point in Federal Reserve history. Deflation had plunged prices of farm products to levels not seen since 1897, with cotton at 5½ cents a pound and wheat 44½ cents a bushel. Rubber was 2½ cents a pound.

Conceived as the New Deal's "reflation" policy, a national spending program was pushed for years with the avowed aim of restoring the 1926 general price-level, a level proclaimed by Administration advisers as being more nearly just to debtors and creditors than any other. Average prices in 1926 were said to represent the altitude at which more long-term debts had been contracted through the years than any other zone, either higher or lower.

1 **On an adjusted basis the market as a whole (402 stocks) is now only one-third of its 1929 high level.**

From the inauguration of the New Deal until the outbreak of the European War some six years later, general commodity prices had risen 25%. Meanwhile, common stocks had more than doubled, their net advance being 119%.

With war under way abroad, and increased world demand for American goods, commodity prices steepened the slope of their rise, gaining some 30% in the next 30 months. By April, 1942, however, stock prices had surrendered two-thirds of their prewar advance; yet stocks stood only slightly under the inflationary trendline of commodities.

Thereafter, the 1933-42 pattern was repeated in 1942-48, with (1) stocks soaring while commodities slackened their pace, followed by (2) stocks reacting and slightly penetrating the accelerated trend-line of commodities.

Incidentally the 1926 commodity price-level was not restored until October 1942, nearly a year after Pearl Harbor. Long before this, the government had reversed its objective and had started to "fight inflation." Now, of course, it is a matter of history that most of the "weapons" used were ineffective; many were positively harmful.

Recent months have seen what appears to be the beginning of another repetition of these prewar and wartime sequences. With commodities flattening out, once again it is the stock market that is moving upward. At present, stocks are just about in line with commodities on the inflationary rise of this century. Common stocks of all kinds combined are up 207% since March 1933; commodities, 167%. On this basis, it is seen that (1) common stocks on the whole have served as good hedges against inflation over this span of 15 years, and (2) most of that time stocks have actually outdistanced (and preceded) the deterioration of the dollar as measured by the commodity markets.

Are We Now in a Bull Market?

First, I want to quote the Wall Street "Journal" of May 15 (the day after new high prices were seen for the period since Autumn 1946): "Under the Dow Theory, yesterday's action means that a bull market has been under way since May, 1947, but does not guarantee either the duration or extent of the trend."

"Barron's" (financial weekly) two days later said, " . . . it is true that stocks now have broken out of the narrow trading range of 23 points in the Industrials and about 12 points in the rails, in which they had moved for about 18 months. If it can be assumed that this vigorous expression of majority opinion is likely to be right, then it is reasonable to expect that the market will continue to rise."

My own view is, "Yes, we are in a Bull Market." If there had been doubts before about the majority opinion of buyers and sellers, those doubts have now been resolved. The people have spoken. The market has finally lifted out on the topside of one of the longest and narrowest zones of indecision on record. Daily volume of trading with prices rising recently swelled to the largest in over eight years or since September, 1939. Pessimism has given way to optimism. This demonstrated willingness of people to pay attention to favorable earnings, dividends, high rate of business activity, evidences that labor unions will be brought under sensible restraint, and other bullish elements of the domestic picture, is a welcome development although long delayed. During the many months of narrow trading oscillations, demand for stocks was held back awaiting indications of a trend. The accumulated demand should come forth over the next few months and make itself felt in the way of higher prices.

Where Are We Going?

Various explanations are being offered as to why the market has swung out on the topside. As mentioned before, the fact of the break-out is the important thing —not the reasons later assigned for people's actions. Among the more acceptable reasons after the fact) are these:

(1) Evidence that business will continue on a high plane. Repeated forecasts of Depression have been proved to be false and have lost their appeal.

(2) Rearmament Program and aid to Europe as a stimulant to business.

(3) Slowing down of the wage-price spiral which threatened to squeeze profits.

(4) Lessening of fear that war with Russia is inevitable.

(5) Political trend; coming victory for the Republicans.

(6) Reduced income taxes for **1948.**

It seems to me that the reasons for expecting total business activity to remain close to peacetime high rates are overwhelming. During the first quarter of this year, the Department of Commerce reports, the total value of goods and services in this country reached an annual rate of **$244** billion, a new high. In view of the enormous backlogs of demand in key industries, the continuation of employment and personal spending at near record levels seem assured. The basic automobile and housing industries are perhaps the best examples of unfilled demand. Physical needs here are sufficient for years of operation at boom levels.

From a stock market point of view, it must be granted that the rather clear signs that the organized labor monopolies would not be allowed to go unbridled have served to re-kindle faith in the future of the American enterprise system.

The recent reduction of income taxes is probably much more important in influencing people's actions in the stock market than is generally realized. The resultant increase in take-home pay of some 60 million workers is only part of the story. Now, for the first time in 20 years, the tax burden is being lightened on people who can **afford to risk their savings.** The new incentive to save and to invest in American industry will provide much needed capital to create new and better jobs.

For many individuals, the lowering of effective taxes on capital gains is an important derived effect of the new tax law. Inasmuch as capital gains can be merged with ordinary net income, they come under the newly reduced rates, made still lower by the extension of the community property principle.

The profit incentive is the most effective spur to individual enterprise. The reduction of taxes on **profits in stocks** is bringing back into the market **people** who had decided the risk was not worth while when Uncle Sam took such a big slice as formerly. I believe tax reduction was the last straw in tipping the balance of people's opinions to the buying side in stocks recently.

Also, and perhaps of equal importance, I would name the **political trend** and the fact that 1948 is a **Presidential year.**

Election Year Patterns: Measurement of the **stock market's performance** in presidential election years reveals some very interesting and useful information. **First of all,** it should be noted that regardless of whether the Republican or the Democratic candidate

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Measuring the Stock Market

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is to win, the market normally moves upward during the active campaign period. As shown in my chart, there is an advance from June (time of nomination) to the election time. (These comments are based upon the average experience in the last 11 elections, that is, in all elections starting with the one in 1904 when Teddy Roosevelt won over Alton B. Parker.)

The rise during the campaign period has been 15% in Republican years and 9% in Democratic years.

The year 1948 to date has followed pretty well the normal pattern for years when the Republican candidate turned out to be victorious. A 5% dip into February has been followed by a still sharper recovery, carrying on into May (up 7% from January). Based on the historical pattern as measured in the chart, a good advance in stock prices is the normal expectancy into next Fall. Moreover, it will probably be accentuated this year and carry on beyond the election when the Republican candidate is voted into office, as now seems fairly well assured.

Historically, years of Republican victories have also been years of increasing activity in business. Industrial production (volume of physical output) has expanded over 23% during Republican years and only 7% in Democratic years. Here the correlation between business and the stock market seems fairly clear. To expect an expansion of 23% in industrial production this year, however, is to be over-optimistic. In fact, that would be a practical impossibility. Our industrial machine is now operating so close to its capacity that further gains in productive volume will have to be small until such time as our plants themselves can be expanded. Anyhow, it is comforting to know that business should improve in the second-half of this election year 1948.

How Far Will Average Prices Rise?: No doubt, this is the **64 million-dollar** question. Nobody knows the answer now. I am sure I do not know. Only time will tell. It all depends on what people do. We can study what they have done in the past under as nearly similar circumstances as we can find. Then, knowing where the market now is we can make a projection of what people can reasonably be expected to do.

Psychological and technical indications do point definitely upward at this time. I have said that we are in a bull market. I will go even further and express the opinion that we are entering what may prove to be the final and **most "explosive"** phase of the great bull market of the 1940s.

The price pattern, as outlined by the market average since 1942, is very much like that of the big bull market of the 1920s. The abrupt reaction from the 1926 crest (which marked the all-time high up to that time) compares closely with the sharp setback suffered in 1946. Then, it was more than a year later that the market lifted clearly out on the topside of a constricted area much like the market's recent performance. On a time scale, therefore, the market now seems to be duplicating its position in the middle of 1927.

The economic background, of course, is never exactly the same in any two bull markets. However, with the favorable trends we have discussed in business and politics and with stocks so cheap on earnings, and with **plenty of dividend increases ahead,** there is probably a sounder basis for expecting a big rise in stocks now than there was 21 years ago, in the summer of 1927. Population has grown rapidly. World markets are beginning to open up. American industry is assuming new world leadership.

I expect people to continue to express their growing faith in our enterprise system, which is the envy of the entire world. I expect American stock prices to rise substantially from here. A topping of the 1929 high for the Industrial group seems a rather likely goal. These stocks (as measured by Standard & Poor's index of 354 issues) are now only 30% below the highs of 1929. Stated the other way around, a rise of 42% from here would duplicate the highs of 19 years ago.

Analysts who follow the Dow Theory tell me that historical patterns warrant expecting a much larger advance. Measuring from levels like the present, where the Industrials and Rails have "confirmed" on another in pointing to a major advance, they show that the average (median) rise in the past 11 bull markets has amounted to about 78%. That is almost twice the rise needed to restore the 1929 peaks.

Right here I would stress that any figure mentioned can be only an estimate. It must be subject to **revision** as we go along and observe what people do. How long will the rise last? Here again we can make only tentative projections. Perhaps one or two years, or even longer. Much will depend upon the speed of the upswing, and new developments in the domestic and international picture. My guess now is that **no top is in sight this side of the Fall of 1949.**

Stock Groups in Best Position: If the present interpretation is correct, the stock groups now in strongest market position are mostly those representing durable goods industries. These are the ones subject to the widest cyclical influences. They can be counted upon to benefit most from booms (and contrariwise, to suffer most from depressions). In this classification the **Steels** stand out predominantly. They now appear to be on the threshold of a dynamic advance, partly to make up for the time lost during the past couple of years.

In the final stages of a bull market the steels often assume outstanding leadership. I believe that will be the case this time. It may be a little early in the scheme of things for the steels to blow off most of their steam right away. The longer they refrain from soaring the longer the bull market will last. However, their future is so bright marketwise (both industry-wise and marketwise) that they must be given a high rating now.

Closely related to the steels are the machinery groups. **Farm Machinery, Industrial Machinery** and **Railroad Equipment.** Before the bull market has exhausted its force, these should participate with vigor.

Farm Machinery stocks in particular have outlined a favorable market pattern, suggesting an early extension of their rise. High and rigid wage scales are forcing the use of more and more machinery. **Railroad Equipment** companies now have the largest backlog of orders in a quarter of a century, or since 1923. Even the **Office Equipment** stocks look higher.

Another industry especially favored for the period ahead is the **Building Materials and Construction group.** These may require more patience than some others; however, the accumulated demand for housing is so great that it will take many years to satisfy it.

The Automobile Industry appears to have at least two excellent years ahead. These stocks have lagged behind the general list. People have worried a lot about the labor problem and the shortage of materials. Chairman Alfred P. Sloan, Jr., of General Motors last week declared that his company has enough business in sight to enable it to operate at capacity for the next two years and perhaps longer, if it can obtain sufficient materials. He also indicated the likelihood of more liberal dividend policies.

Petroleum Stocks have been prominent leaders in the advance from last Spring's lows. Although some profit-taking may have to be absorbed, especially in those issues which have risen almost vertically, these stocks as a group still appear cheap, at only five or six times earnings. And the demand for oil is expected to hold up well far into the future.

Retail Trade (Department Stores) is bound to benefit from the continued high rate of employment of American workers and high national income.

Lastly, I want to suggest that the **Electric Utilities** should have a good rise during the Presidential camaign period, while the American people are getting ready to elect for the first time in 20 years a Republican Administration at Washington.

Halsey Stuart Markets Narragansett El. Bonds

Halsey, Stuart & Co. Inc. and associated underwriters are offering publicly today (June 3) $10,000,000 The Narragansett Electric Co. first mortgage bonds, series B, 3% due 1978 at 102.39% and accrued interest. Award of the bonds was won at competitive sale June 1 on a bid of 101.85.

Proceeds will be used to finance in part the company's present construction program. New construction and reconstruction of present facilities with improvements as now planned by the company and subsidiary for the years 1948 through 1950 are estimated to cost about $23,322,000, based on present costs of labor, equipment and materials.

The new bonds are redeemable at prices ranging from 105.89% to 100% and at special redemption prices scaled from 102.40% to 100%.

The company's business, conducted entirely within the State of Rhode Island, is principally that of the generation, purchase and sale of electricity for light, heat, power, resale and other purposes, and to a minor extent, the manufacture, purchase and sale of artificial gas for general use. Electric and gas appliances are sold by the company incidental to such business.

Halsey Stuart Offers Milwaukee Equipments

Halsey, Stuart & Co. Inc. and associates won the award yesterday, June 1 of $7,120,000 Chicago, Milwaukee, St. Paul & Pacific RR. equipment trust series DD, 2% equipment trust certificates, maturing $356,000 semi-annually each Dec. 1, 1948 to June 1, 1958, inclusive. The certificates, issued under the Philadelphia plan, were immediately re-offered, subject to Interstate Commerce Commission authorization, at prices to yield from 1.25% to 2.35%, according to maturity.

The certificates will be issued to provide for not exceeding 75% of the cost, estimated at $9,500,000, of new, all steel, standard-guage equipment consisting of 59 passenger train cars, two diesel-electric motor cars, two business cars and 1,000 50-ton gondola cars.

The Uncommon Man

(Continued from first page)

abandon the underlying fundamentals. This is so true that down through our history both friends and foes have feared or claimed that the people in America would so little understand or cherish the fundamentals of their country that they would lose them, and that individual liberty would be permanently replaced by dictatorial government.

Prophecies of Doom

For example, Madison, in the tenth Federalist Paper foresaw that possibility but hoped it would not happen. Ben Franklin told the people they had a representative republic and hoped—but did not predict—they could keep it. The historian, Lord Macaulay, in a famous letter to H. S. Randall in 1857, asserted the system could not endure. William Graham Sumner, writing in the 1880's, had similar doubts. Incidentally it was from his classic, "What Social Classes Owe to Each Other," that the phrase "The Forgotten Man" was stolen; but its definition was reversed in a way to make its author turn over in his grave with horror. And then we can also remember that Karl Marx and Hitler both hated and predicted the destruction of American-type opportunity for the common man to be an Uncommon Man instead of a predetermined and regulated cog in an all-powerful State machine. I repeat that ours can be the land of and for Uncommon Men as long as—but only so long as—those men understand and resist the temptation to turn it into a different kind of land. Let me explain briefly.

The Uncommon Man is one possessed of special aptitudes and talents which in America he is allowed and encouraged to develop. You who graduate today thereby prove yourselves to be men of that sort. You have had the ambition, the determination and the opportunity to develop your particular talents and skills and today you receive proof of your accomplishment. You have perfected yourselves for service and performance in specialized occupations.

This is all to the good because it is part of the glorious story of America—of the majestic rise in its productivity — a rise which lifted living scales more than they had advanced throughout all history prior to the advent of the American Republic—a rise to previously undreamed health, wealth and security—a rise that shifted the burdens of production from the backs of men to the machinery they devised. Such achievement comes partly from the fact that no American is born into rigid class restriction or predetermined servitude. On the contrary, no limit, short of coercing or stealing from others, is placed on his choice of occupation and initiative in pursuing it. He is free to develop whatever capacities he possesses. He is free to offer his products or services in the court of final appeal, that is, to King Customer in the nation's voluntary and competitive markets, where the worth of his product is continuously judged by all his neighbors interested in buying or selling it. Those markets, when free of monopoly and political dictation, are the most democratic thing in America. The individual's right to appeal through them to the combined judgment of all his neighbors is a most significant bulwark of economic justice and individual independence. Bar the man's right competitively to sell his own services or product unhindered in the presence of all others, and he becomes enslaved to whomever will hand him a living dole, demanding abject obedience in exchange.

King Customer, who is each and every one of us as consumers supplies to each the prospect of reward and the compulsion of competition to discover and perform the most useful service of which he is capable. America is so productive because so many people concentrate on doing those things they can do better than others can, and then freely exchange in the markets the fruits of their efforts to their vast mutual benefit. It is a land where each expertly produces *one* thing but can get its equivalent in *everything* else. It is the place, one of the few on earth, where all men are born free and equal to make the most of their native inequalities.

But this has involved sacrifice of individual self-sufficiency. In pioneer days the family or small community itself directly produced from the land most of that which it consumed. Each man was his own tool provider, his own customer and his own "jack of all trades" worker. We are much removed from those times. We now produce for each other instead of directly for ourselves. Ours is an exchange economy. But what concerns me about this is the opportunity it affords for loss of that broad insight and balanced judgment about basic truths that it is the Uncommon Man's responsibility to achieve and retain if ours is to remain a land of and for Uncommon Men. Let me illustrate.

Inter-Group Grievances

As each individual becomes specialized there is diminishing need in the course of earning a living to know what other people in other lines of activity are contributing. As the interest in knowing about them lags, the knowledge about them diminishes. The realization of how important the contributions of others are to the co-ordinated functioning of all production also becomes dim.

I wonder, for example, if the coal miner and his wife realize the extent to which the savings and efforts of others have been invoked to provide the can of peas they open for dinner. The miner himself provided coal that was turned into coke which was used to make steel out of ore mined by another in another corner of the country. Both of them used tools provided out of the savings of other groups, and with which tools the ore was fashioned into the steel that went into the can. Involved also were the farmer's efforts and his savings in the form of tools; so also were those of tin miners on the other side of the world; so also were the efforts and tools behind the paper and printing of the label; so also were those behind the trains, trucks and boats that moved all these things to bring the peas to the miner's table.

With productive specialization we all live better; but we can do it only in terms of unending team play and tool providing. It is all too easy to forget the importance of the other fellow's contribution.

As interest, knowledge and appreciation of the other's part in the team play becomes dim in the light of one's own preoccupation, then it is quite natural to belittle the other fellow's contribution and to ennoble one's own. From there it is an easy step to pretending or believing that the other fellow gets paid too much and one's self is not paid enough. Being remote from each other, for example, the employe thinks his wage is too low and the owner's profit is too big, and vice versa; while the customer thinks both get too much and the price is too high. The politician sides with the more numerous voters, promising them something for nothing, to be paid for by bigger taxes on less numerous voters. Everybody forgets that everybody is in some measure simultaneously customer, capitalist and worker; and that in

beating each other over the head they are in reality beating themselves down.

Specialized production or service also, quite naturally, throws those similarly engaged together and so we have trade unions, labor unions, industry associations, farm organizations, and all kinds of societies of doctors, lawyers, managers, accountants, economists, statisticians, investors, engineers, scientists and so on. This is good because it spreads knowledge of better ways to do things among those engaged in similar arts. But it is also bad because it aggravates the natural misconception of what other groups contribute to production and thus multiplies mutual grievance rather than encourages common understanding. Fancied wrongs seem real if you talk only to those of a similar fancy and soon you are likely to find yourselves organized into monopolies or pressure groups to get something for nothing from the other fellow who is assumed to be getting too much for too little.

Fear of Loss of a Job

One other consequence of specialization—or of the division of labor, as the economists would call it—is worth noting. It is its aggravation of men's fears. Under specialization people do not themselves directly consume what they produce: The welder cannot house, clothe or feed himself with the bondings his torch has made. The printer cannot eat his words—though, at that, he may sometimes be bidden to do so. Nor is nourishment provided directly by adjusting a carburetor. Each man gets a money income for his expert accomplishment and then uses that money for many consuming and saving purposes. Single-source income for multi-purpose expenditures is a characteristic—and a necessary one — of a mass producing, high-level consuming country. But its consequence is that fear of loss of a job is perhaps the most continuously dominant fear in America and an emotional force undermining good judgment.

Resulting Peculiar Notions

Out of all this have come some notions that would seem funny to that early pioneer in close personal touch with the combined processes of working, saving, tool providing and consuming. Take, for example, the phrase, "The right to work"—often interpreted nowadays as a right to get paid without working. The pioneer sought no "right to work." To him hard labor was something meted out to criminals as a punishment. But he knew he was confronted with dire necessity to work if he was to live. It is as true today as then. It is not a **"right"**; it is an obligation—to one's self and to others.

Or take the notion that it is anti-social to be thrifty, that spending is the way to prosperity. I suspect that the pioneer would have thought such a notion to be immoral then and even more immoral today. He knew—and he knew that even the squirrel knew—that only by saving for the rainy day could he hope to survive it. His thrift was his social security. He also knew that only through thrift could he acquire better tools of production and that only with better tools could he produce more goods and have a better living. Nor would he be such a fool as to provide tools out of his sacrifice and thrift that meant no profit to him in their use or their rental. That would indeed have been a sinful waste.

It is as true today as it was then that thrift is the source simultaneously of security and of the tools of progress. It is even more true because the individual's own thrift plus his willingness to work at what King Customer says he is worth are his only means, short of living on charity, of surviving in a land of single-source incomes. The spending preachment is both immoral and insulting: It is immoral because it would destroy man's individual independence and dignity; it is insulting because it assumes that men have less intelligence than squirrels.

One other queer notion would, I suspect, have provoked that pioneer's hilarity—the idea that the community owes everyone in it a living. With ridicule and scorn he instantly would have dissolved that one into logical absurdity by saying, "Okay, let's all stop working and, instead, just collect from each other the livings we owe to each other."

Possible Seeds of Destruction

Let me repeat that ours is the land of Uncommon Men because all men have individual freedom and competitive compulsion to develop their particular aptitudes and to exchange the fruits of their exertion with each other in markets free of fraud, coercion, monopoly abuse and government dictation. The result has been little short of a miracle. But it carries the possible seeds of its own destruction because it segregates people into specialized occupations, indifferent to or ignorant of the contributions of other groups. It organizes selfishness, fortifies it with ignorance and galvanizes it with fear. It sets groups at each other's throats. It sets them competing for political power or for government intervention to enforce through taxation, subsidy or monopoly privilege the winner's theft of others' wealth. It is a situation ripe for any one who wants to do so to whip up fear, envy, greed, lust for power and, betting on the natural indifference of groups toward each other, to fortify his emotional oratory with half-truths or downright lies.

Emotions versus Understanding

Such emotions are perfectly human. They are indeed good and necessary. It is when they promote or prevent action unchecked by knowledge that evil results.

Take fear: If human beings were incapable of fear the race would long since have become extinct. He who fears not a fall from the cliff's top is likely to be a dead man at its bottom. But fear based on ignorance obstructs progress. It was not until fear of falling off the edge of the world was overcome that Columbus could discover America.

Envy is natural. When transmuted into emulation its consequence is good; but envy is evil if it promotes the "wrong-to-be-rich"—that is, for the **other** fellow to be rich—philosophy.

Greed, too, is quite human. More politely we call it ambition. Like envy it is good when promoting production, but evil when justifying in monopoly or taxation the "He's got it, let's take it" morality of the robber.

Lust for power over the other fellow is also too often too human. Power, rather than service, is too frequently the prize for which business leaders, labor leaders and politicians strive. I find no good in it and much danger. Once loosed, power feeds on itself—and a Hitler is the result. This was well known to the Founding Fathers and is why the Constitution separated the powers of government and bristles with prohibitions upon their exercise. It set terms of office so as to get people out of office before they could become entrenched in the exercise of power. It originally provided that taxes on people had to be equal to everybody so that the tax power could not be used legally to rob selected Peter to pay collective Paul.

Stockholders versus Employees

There are two specialized groups between whom understanding and cooperation are especially important but between whom, in recent years, misunderstanding and antagonism have been greatly promoted, perhaps deliberately, by those of communist leanings. I refer to the owners, that is stockholders, of corporations and to the employees of corporations. I said they were specialized groups. That is not quite true. Nearly every stockholder is also a worker; and nearly every worker is also, directly or indirectly, a capitalist. He either has savings invested in bonds or stocks, or he has savings in banks or with life insurance companies which by them have been invested to help provide the American tools of production. Nevertheless, profit has been labeled as sin, propagandized as enormous, blamed for inflation, represented as virtually stolen from employees' pay and, on the force of such falsehoods, subjected to doubled-up, confiscatory taxation. Such "hokum"—if I may use the word—is worth the Uncommon Man's investigation lest the innocent be injured and the unwary be irrevocably despoiled of their birthright.

Tools and Their Origin

We might start by considering the importance of the tools of production and where they came from. Tools include all those things that men use to fashion the good things of life out of natural resources. They range from tiny and infinitely delicate laboratory devices through power plants, mines, railways, steamships, warehouses, theatres and stores to the common implements such as hammers, saws and other tools we operate with our hands. They include the lithographer's press, the carpenter's planer, the plumber's truck, the mechanic's wrenches, the painter's ladders, the welder's generator, the machinist's lathe as well as the factory's giant press, its stock of materials and the working capital—cash savings—required to give them life. I assure you, and I think all of you will agree with me, that the tools of production are what lift men from barbarism to civilization, from scampering through forests to find edible nuts to the comforts and security of American living.

Where do tools come from? Go back to the pioneer farmer: By denying himself part of the food he had raised or by working harder to produce more than he needed he was able to pay another to build a wagon he wanted. The wagon became the farmer's too—his capital. It belonged to the farmer, not to its builder, because it was the farmer who endured the sacrifice in not consuming the equivalent of what he produced. The builder got the equivalent of the wagon he had built in the pioneer's food he was given. Tools come from producing more than one consumes. They are the fruit of self-denial and sacrifice added to exertion. There is no source of tools, and hence of multiplied production, except that more be produced than is consumed or, conversely, that something be saved out of whatever is produced. Saving is the sole source of tools, and hence of wealth and of prosperous well-being. It requires self-denial and sacrifice; it is never undertaken except in the hope of benefiting thereby; it will not be undertaken if benefit therefrom is denied.

Only Tools Create Jobs

The fact is, of course, that those who, through their savings, provide the tools of production are the workingman's greatest friend—so much so that without that friend workingmen by the millions would die of starvation and destitution as the nation sank back toward barbarism. Millions so died in Russia when communism replaced capitalism there. Stop and think a moment: Do you know of any way in which a self-sustaining productive job can be created except by someone spending his savings to buy tools that men may use to produce the marketable goods to cover their continuing wage? I do not. Even the lowly job of digging requires the employer to spend savings for a shovel. For steel production—from mine to market—at least $20,000 would nowadays be required on the average to create one new job.

Incentive to Provide Tools

Let me ask you another question: Do you know of any reason in all this world why any one would voluntarily make sacrifices and save money to buy tools of production for the other fellow to use if he did not expect to get a profit out of it? I do not. Would you yourselves sink your savings in a company that you thought would pay you little or no dividend? Would you so much as give up steak dinners to buy the tools of your own craft unless you thought you could make more money by doing it? So why all this yielding to communist propaganda that profits are sinful? It is high time that someone told the truth about profits in a loud tone of voice:

About Profits

Profits are not evil; they are a positive good in the land. They are payment for thrift, self-sacrifice, energy and insight in assembling the tools of production for providing the good things of life. They are the fuel that fires the engines of progress towards more and better goods and more and better jobs. Without profits, there would be no jobs, for who would give pay for work that yielded no benefit to the payer?

Let the worker—either directly or through his government—confiscate the profit of his employer and the reason for his hiring disappears with loss to the worker in wages tenfold the profit confiscated. Buyers, in democratic market-place decision, determine the worth of the product. If its worth yields no profit in its production, then the cost of its production must contract or its production cease and the workers be idle or seek other occupation. If profit is covered within worth then workers' continued employment is by that and by that alone, guaranteed, while greater production of wanted and worthy products is foreshadowed.

Profit is the proof of the worthiness of production; loss is the proof of its unworthiness, of the waste of the energy and thrift that provided wrong tools of production, or of the job-destroying rapacity of tax gatherers or of workers employed in their operation. The greater the profit the greater the incentive for expanding production and progress, while loss is the proof that progress has stopped. It is not profit that is evil; it is the enemies of profit who are evil for if they prevail millions must die as a spreading dearth of tools blights capacity for survival production.

Who Gets What

When tool owners and tool users get together in production the tools do the lion's share of the work and the employees get the lion's share of the pay. This is something that Communists and others who seek power out of popular ignorance by stirring up envy, discontent and strife would like to keep secret. But I believe that the truth, as always, will ultimately prevail. A recent survey shows that about 94% of the work energy behind American production is mechanical energy, that is, from the tools, leaving about 6% for human energy. Last year the dividend payments to corporate owners, which constitute their only ultimate incentive to supply tools, were between $6 and $7 billion, but the payments to employees were over $100 billion. The employees got over 93% and the owners less than 7% of the cash payments.

U. S. Steel

We can see how this works by looking at the figures of one company. Naturally I choose the figures of U. S. Steel. U. S. Steel has over 200,000 stockholders and nearly 300,000 employees, many of whom are also stockholders. Last year U. S. Steel received from King Customer about $2 billion in exchange for the goods and services he chose to buy from it.

It required $46 of sales to provide the common stockholder, the risk taker, with $1 in dividends. On the same basis the preferred stockholder received 55¢ for less risk. For each dollar the common stockholder got, our employees got $19.78, nearly 20 times as much, either directly in wages, or in provisions for their pensions and social security. The government got in taxes three times as much as the common stockholders. All the rest of the money from customers, except $1.23 for each dollar to the common stockholder, went to buy materials and services needed to conduct the business and to cover the cost of the tools used up in production. The $1.23 was not paid to stockholders; it, plus previous savings, was spent to buy new and better tools that will provide more and better products and jobs in the days to come.

Tools as the Multiplier

With tools men can produce 10 to 20 times as much as without them, with the tool providers getting but 1/20th to 1/10th of the multiplied production. That in America the hope of profit has been extended as an inducement to those able and willing to provide the tools of production is one of its greatest blessings. That there are others who in ignorance or envy would undermine that profit incentive to provide tools of production is America's greatest tragedy, or grimest comedy, if you prefer to look at it that way.

Sharpening up the tragedy, or comedy, is the fact that it is the least efficient and least thrifty who most need an abundance of job-creating tools of production to insure their being among those hired; yet they are often the loudest in demanding that profits be taxed away or transferred to them. The ill-housed, ill-clothed and ill-nourished can be better housed, better clothed and better nourished only as more and better tools of production come into existence. But if provision of tools is prevented they will be the first to die in destitution.

The Challenge

America is the land of and for Uncommon Men not only because it affords free choice and opportunity for people to become expert in their chosen occupations, but also, as we now see, because it has mechanisms and incentives for providing the tools of production that the skilled must operate if their skill is to have full fruition in abundant production. Neither men nor machines could possibly do the job alone. And neither will be present on the job without pay. Full cooperation and freedom from monopoly or coercion between tool owners and tool users are necessary if the well-nigh miraculous progress of the past is to be repeated in the future.

Here then is the challenge to the Uncommon Man. Not only must he be high-grade in his chosen activity; but also he must be broad gauge in his understanding of the nation's interlocking activities which result in his own and everybody else's well-being. Especially must he be on guard against his own perfectly natural prejudices which arise from preoccupation with his own trade to the exclusion of knowledge about the contributions and compensations of others. He would be wise to search always for the facts and the truth, alert to their misrepresentation by power-lusting leaders seeking to play on his emotions and prejudices. It would, in short, be well to remember that eternal vigilance is really and truly the price of that liberty which enables all men in America to make the most of their uncommon abilities and so makes ours a land of and for Uncommon Men.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Groups like oils, farm equipments and motors look higher, but others, including market, starting to point down. Caution now advised.

* * *

Last week it looked like another of those whoop-de-doo affairs with the market acting like it was on the starting line. All it needed was somebody to yell "go!" and away it would go. That was last week. Now it looks like something is in the way. The action of last week has been almost completely nullified in a zone where a halt is open to more than just a suspicion. If you're looking for reasons why I'm now looking for a reversal, you'd better look elsewhere. I make my interpretations — or crystal gazing, if you prefer—from the market. And the market doesn't say "why?"

* * *

It is possible that instead of a real reaction the market may go into one of those dull affairs punctuated by little dips and rallies in various groups. But even if that was the outlook, we are holding too may stocks to sit placidly and await developments.

* * *

A reader took me to task for "forgetting" certain stocks. If it is any satisfaction to the gentleman from Florida, I hang my head in shame. He asks about **Consolidated Vultee.** Stock was bought at 12, stopped out at 14 and bought back at 12½. It's now about 11, which means a loss. (See column, April 22.) I'd like to point out that with the exception of one or two stocks the airplane manufacturing companies are no longer acting well. Frankly I think I overstayed the market. The same thing applies to **Douglas**, bought at 52, with a stop at 61 for half the lot and a repurchase at 59. It broke the 61 and got within a fraction of the 59 figure. In the case of **Vultee** my advice now is to take your loss. In **Douglas** you took an actual profit of about 9 points in half your lot. If you buy back the half lot at 59 your average price will be 55. But the stop for the whole lot now should be 57½.

* * *

Lockheed is a poser. If it intends moving up it has to establish itself across 24 (it's now about 22½). You bought it at 15 with a stop at 21. If it breaks 21 sell it all.

* * *

G. L. Martin came in at 15 with a stop at 18½. As it looks now it may break the stop before you read this. Profit isn't large but it's something.

* * *

United Aircraft bought at 15, now about 29, has a stop at 27½. If you sell half at that price your profit will be about 12 points. If you buy it back at 25 your average price will be 20. Stop the whole thing at 24.

* * *

So much for the air stocks. The advice on **Anaconda, Avco, Bethlehem, Caterpillar** and **Dresser**, as given last week, still applies. Except that stops are now for the whole lot and no repurchase.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Joins Southern Securities

(Special to THE FINANCIAL CHRONICLE)

SAVANNAH, GA.—John William Ahern has been added to the staff of Southern Securities Corp., Liberty Bank Building.

Coutts With A. C. Allyn

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Ronald M. Coutts is now with A. C. Allyn and Company, Inc., 100 West Monroe Street. He was previously with Graham, Parsons & Co. and C. F. Childs & Co.

F. I. du Pont Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—John R. Molloy has joined the staff of Francis I. du Pont & Co., 200 South La Salle Street. He was previously with Thomson & McKinnon.

Joins Paine, Webber Firm

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — William B. Downes has become associated with Paine, Webber, Jackson & Curtis, 209 South La Salle Street. He was formerly with Francis I. du Pont & Co. and Graham, Parsons & Co.

With King Merritt & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Carlisle J. McDonald Jr. is with King Merritt & Co., Inc., Chamber of Commerce Building.

Joins John Nuveen Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—John Nuveen & Co., Van Nuys Building, have added Lois E. Christman to their staff.

Unions' Demands and Managers' Policy

(Continued from first page)

living has gone down or because the company has a deficit and cannot afford to pay. Is it honest to play "Heads I win, tails you lose"?

What Results Would Follow?

(a) **The consumer would suffer.** Wages constitute somewhat under 70% of the national income. But dividends in the last decade averaged 3.7% of the national income, and 5.7% of total wage bill. Obviously, even if dividends were wiped out, the consumer would have to pay more to cover the increased costs. An increase in wages averaging more than 5.7% would therefore directly increase selling prices. **A wage increase for some, therefore, means a rise in the cost of living for all.** Persons with fixed or less flexible incomes would suffer even more if others' wages generally are increased. Many, such as government employees and pensioners, are hard pressed already. Besides, threats of continuously rising wages make it difficult to determine costs. When costs are uncertain and unstable, reductions in price are checked and retarded.

(b) **The general public would be harmed. Rising wages raise industrial costs.** Farm wages and parity prices then must rise. Thereupon cost of food rises again, leading to new wage increases. Thus inflation is aggravated. The subsequent deflation becomes more painful.

Rising selling prices create nonrecurring and factitious profits and misleading balance sheets. When prices rise most companies, to continue in business must borrow money either at the banks or through bond issues. **Thus a new round of wage increases would worsen the credit inflation, tend to tighten interest rates, and hasten subsequent deflation. Wage increases would thus aggravate the "boom and bust" cycle.**

(c) **The economy is dislocated.** Depressions are caused by rising costs. But wages constitute the largest item of cost. Unionization has made wage rates practically inflexible. When selling prices decline and costs remain rigid, depression is invited. After the War of 1812, the Civil War, and World War I, indeed, after all wars, prices declined, sometimes sharply.

(d) **Ultimately labor pays the penalty.** Raising wage rates causes labor to price itself out of the market. Domestic consumers cannot afford to buy. Thus, unorganized labor suffers in order to give unique benefits to organized labor whose "real" income is far greater than in 1939. But even organized labor suffers also. In recessions fixed wage rates, under declining selling prices and cost of living, would give increased purchasing power solely to union labor. But then the number of union men employed must decline. Hourly rates remain high but weekly wages decline for most and disappear for some.

(e) **The system of free enterprise is prevented from functioning.** Wages are a first claim on the dollar of sales. Even a bankrupt corporation must pay wages. Then follow claims for taxes, merchandise creditors, etc. Profits have no claim. They are merely the residue, if any, left after satisfying all claims. But profits are necessary to make the system work, even in Russia.

What Are the Arguments for Another General Wage Increase?

(a) **The cost of living argument is fallacious.** A comparison of data in a recent month, March, 1948, with August, 1939, the last prewar month, shows that weekly wages are now 220% and the cost of living now 169% as high. Thus "real" income of union labor is about 30% above prewar levels. This is not true for most other groups in the community—teachers, civil servants, veterans, their widows and pensioners.

The unions argue that high wages for themselves means high purchasing power for everybody. Again, this is obviously a fallacy. It merely rationalizes the union demands for wage increases.

Besides, one man's wage is another man's cost of living. An increase of wages for one group causes an increase in prices for all. In 1945 unions obtained wage increases to check the expected deflation. Now they demand increases to overcome inflation. But, paradoxically, in both cases, and for opposite reasons, wage increases are urged. Union wages in terms of cost of living are considerably above the prewar level and are practically at the high for all time. **On the basis of prewar wages and cost of living, another round of wage increases is not justifiable now.**

(b) **The profit argument is fallacious.** In the year 1947, business activity was at a peak. It is unsound economics and erroneous accounting for government officials to compare profits in depreciated dollars of a boom year with the average profits of prewar years. These were times of semi-depression when the unemployed averaged 8 million and when dollars had greater purchasing power. Besides, at peak levels are not merely profits, but other economic indices as wages, national income, physical production and volume of currency and bank debits. Taking 1929 figures as a base of 100, then equivalent figures for 1947 would be dividends 117, profits 207, national income 232, wages 260, gross farm income 251, and net cash farm receipts over 300.

But present profits are fictitious. When prices rise, the value of the inventory increases and bookkeeping profits rise. But they do not provide the cash out of which to pay increased wages, because the increase in profits is tied up in merchandise. Indeed, more cash is necessary to carry the same number of physical units of inventory. Worse still, on this fictitious book profit, taxes must be paid in cash. As a result, for most companies, the cash position deteriorates. To present the facts truly, the accountant should separate the operating profit from the inventory profit. In fact, the inventory profit could well turn into an inventory loss. It did so frequently in the past.

Again profits are overstated because plant obsolescence or depreciation is understated. Cost of replacement of wornout machinery is from 50% to 90% higher than before the war. Therefore, charges for depreciation of assets should be correspondingly raised. Otherwise the workers will not have tools available when the present machines wear out. Adjusted for these changes, profits shrink substantially. Corrected for inventory appreciation and inadequate plant depreciation charges and deflating to prewar prices, profits for 1947 decline from \$17.7 to \$7.6 billion on the basis of the BLS Consumers' Index; to \$6.0 billion on the wholesale price index for building materials; and to \$5.5 billion on the basis of construction costs. These are the figures to compare with prewar profits.

(c) **The dollar has declined in purchasing power.** The income account and the balance sheet now reflect several different kinds of dollars. We used to think there was no vagueness about numbers—that they were exact, that you could play no semantic tricks with them as you can with words. But when prices rise or the dollar depreciates, accounting develops semantic fallacies. In the income statement or the balance sheet, the same number has different meanings at different places because the accounts were set up at different times. This confusion is manifest under certain conditions. For example, in the case of a fire, a property insured in prewar good dollars cannot be rebuilt with the same number of current poorer dollars. When a machine wears out, its book value stated in fewer prewar dollars is inadequate to pay for replacement in more current dollars.

(d) **The cost of living has increased for the corporation also.** Using an index of 1936-1940 as 100%, then for the average of 1947, consumers' goods rose to 159%, wholesale prices of building materials to 197% and construction costs to 221%. Such a rise in construction costs greatly increases the sums required for new plant and equipment. To absorb the annual growth of the labor force, to increase the efficiency of labor and thus potentially to raise wages for the long term, it is important that corporations retain enough funds to modernize plants and equipment. Despite higher prices, corporations must, in part, expand and modernize out of internal resources, namely, depreciation reserves and undistributed profits.

(e) **Profits are not high in relation to sales or to investment.** The percentage of profits to sales for all corporations in 1947 is estimated at 7.1% or less than 7.6% of the prosperous prewar year 1936. The annual report of the U. S. Steel Corporation gives the percentage of net income to sales for the years back to 1902. This is unique and valuable information furnished by no other company. The averages show a steady decline from 16.7% in 1902-10; 13.0% in 1911-20; 10.0% in 1921-30; 5.7% in 1936-40 and 5.9% in 1946-47. Since both sales and income are represented in dollars of about the same purchasing power, this ratio gives a true picture. Postwar and pre-war profits were about the same percentage of sales.

This conclusion is confirmed by the percent return on the investment, which was 6.4% in 1902-10; 7.2% in 1911-20; 5.4% in 1921-30; 3.8% in 1936-40, and 6.5% in 1946-1947. But the 1946-47 income is in current depreciated dollars whereas the investment is in prewar better dollars. Corrected for dollar depreciation, the 6.50% of 1946-47 would be equivalent to about 4% on the B.L.S. consumers' index and about 3.25% on the wholesale and construction indexes combined. This return

The recommendation of a flexible wage, related to the cost of living, was discussed by Mr. Friedman in previous issues of the "Chronicle," on Aug. 10, 1944: "Post War Employment, Flexible Costs and Profits"; on May 8, 1947: "Wage Adjustments, Down and Up, Could Mitigate Depression's Evils." It was also mentioned in articles on Nov. 1, 1945: "Full Employment Bill—Aims and Methods"; and on Feb. 6, 1947: "Is CIO Demand for a Guaranteed Wage Practicable in Steel?"—Editor.

equals about the return in the semi-depressed years 1936-40.

Compared to prewar years, profits shrank in relation to wages. The U. S. Steel Annual Report for 1947 showed an increase over 1941, in sales of 30%, in employment costs of 43.8% and in profits of 9.5%. Furthermore, its ratio of net income to employment costs was 13.4% in 1946-47 or less than the 18.5% of the relatively prosperous years 1936-37 or the 17.8% of the good years 1921-25.

But wages and profits are not comparable. Wages are cash, but profits are not. They represent bookkeeping accounts. However, dividends are cash. Therefore the comparison should be between cash dividends and cash wages.

(f) **Dividends are relatively small compared to wages.** Figures over a long period of years are published by the U. S. Steel Corporation. From 1902 to 1947, employment costs (wages, social insurance, etc.) averaged $370.1 million annually. Dividends on common stock averaged $26.3 million or 7% thereof and the undistributed earnings reinvested in the business averaged $24.0 million or 6.5% thereof.

Though figures for American industry as a whole do not date back to 1902, the figures available support the above conclusion that dividends are small relative to wages and that at present the ratio of dividends to wages is lower than in former periods of high business activity. In the National Income Account of the Commerce Department, dividends were 3.0% of the national income in 1946-47 against 5.7% in 1936-40. Dividends were 5.0% of employee compensation in the postwar years 1946-47 and 8.7% in the prewar years 1936-40. These figures refute the argument that wages can be raised substantially without raising selling prices. A rise of 15% in wages across the board, including raw material and finished goods industries, without raising selling prices, would result in deficits, would threaten bankruptcy, and thus would cause unemployment. **Yet dividends must be high enough to attract capital to industry for expansion.**

Dividends are not confined to the few. Eliminating duplications, there are about 10 million stockholders. The estimates vary up to 15 million. But the number of members in organized labor unions is about 12 million. **The number of stockholders exceeds the number of workers in many companies.** The American Telephone & Telegraph Company now has 663,000 employees and 738,000 stockholders. General Motors in 1947 had 375,700 employees and 436,500 stockholders. Of these stockholders, 34% own 10 shares or less and 92% own 100 shares or less. In most other companies about 90% of the stockholders own less than 100 shares. Many of these stockholders are retired teachers, public servants, and businessmen. For these small holders the cost of living has also risen, but dividends have lagged behind wages. Compare the income of these small stockholders with the wages of men now demanding a third increase. Steep taxes graduated up to 90% apply to big holders.

(g) **Undistributed earnings cannot be paid out in wages or dividends.** The surplus of profits above dividends is reinvested in plant. Such reinvestment makes it possible for the company to build larger and more efficient plants, to increase productivity and to lower costs, to raise wage rates and to shorten hours, to create jobs for the annual crop of new workers, and to give work to machinery industries. From undistributed profits come reserves against current assets to enable the company to weather depressions, to avoid bankruptcy, to stay in business and then to continue to employ workers. Thus these undistributed profits in a real sense are trusteed for the benefit of workers and consumers, as well as the owners.

In the decade of the 1920s, dividends paid out constituted about 65% of earnings, but in the period 1941-47 the average was 46% and for the year 1947 it was 39%. The percentage of earnings not distributed in 1947 is estimated at 61%, the average for 1941-47 was 54% and for 1922-1929 about 35%. Dividend policy is now cautious. For the year 1947, the amount retained in the business was 155% of the amount paid in dividends.

Such conservative dividend policy reflects the management's fear about the next depression and prudence in strengthening company finances. This should benefit not merely the stockholders, but also the workers and the general public. Caution is also shown in the present prices of stocks. They are low in relation to yield and low in relation to earnings. Investors apparently also are doubtful about the continuance of current high profits. **Should not labor leaders be equally prudent in pressing their wage policies?**

What Solution Is Indicated by the Analysis?

(a) **The cost of food has risen.** Gross farm income is $34.6 billion compared to the previous peak of $13.8 billions in 1929. The increase, deflated for price rises, is a heavy tax on every worker's family. But the farm bloc is now contented and quiet. The government put a floor under farm prices to protect the farmer. **Should it not put a ceiling over farm prices to protect the consumer?** It did so in the case of sugar. Why not for wheat and corn and cotton? Thus the pressure for wage increases and for inflation could be checked. The farmers' aggressive role in the game now is "Heads I win, tails I win." The consumer's role as victim in the game now is "Heads I lose, tails I lose." Farmers have obligations as well as rights. And consumers have rights, too, as well as the obligation to pay taxes for farm subsidies.

The present free-price ceiling implies a free-price floor. The present pegged-price floor implies a pegged-price ceiling. Both floor and ceiling prices should be treated alike. Free both or peg both. The worker then is treated as equitably as the farmer.

(b) Where the cost of living since 1939 has exceeded the rise in wages, a cost-of-living bonus should be granted. When the cost of living declines, that bonus should decline. **A flexible wage-supplement moving down as well as up with the cost of living would lend resiliency and stability to the whole economic system.**

In Britain, several industries like shoe, railroad and metal-working, have had sliding scale provisions in union contracts for many years. This policy is also followed by many relatively small American companies. But General Motors is the first large American company to adopt the policy of tying wages to the movements of the cost-of-living index. The writers has been urging this policy for several years in public articles (cited above) and in private reports to companies and trade associations. This recommendation was recently submitted to the General Motors Corporation.

(c) **Instead of a fixed increase in wage rates, some companies pay a flexible profit-sharing supplement, related to dividends.** When profits disappear, profit-sharing ceases and costs decline. True, the supplement is small compared to the weekly wages, because total dividends are small compared to total wages. Thus workers learn elementary economics and accounting of business. The unique obligatory and inflexible "annual improvement factor of three cents per hour to raise the standard of living" underwritten by General Motors may have to be abandoned during years of depression and deficits, as 1932 or 1938. But a flexible wage-supplement tied to dividends, like the Eastman Kodak plan seems more realistic and practical and has promise of permanence.

(d) **Workers who wish to increase their weekly incomes can do so,** not only by raising wage rates per hour, but **by working more hours.** This policy would not raise unit costs or selling prices or the cost of living to the consumer.

Again, **wage rates can be increased if output is increased.** But productivity now is still at the prewar levels of nine years ago. Over decades, even in pre-union times, wages have been greatly raised and the working week markedly shortened, only because labor costs per unit were reduced by inventors, engineers, and managers. The record of the U. S. Steel Corporation from 1902 to 1947 shows that the wage rate per hour rose 7.75 times. The number of hours per week declined 0.56 times. The weekly earnings rose 4.33 times. The number of employees rose 1.70 times. And production increased 2.62 times. Intelligent labor policy can accelerate this trend.

Labor should cooperate with management in increasing output and in lowering unit costs. Labor has not only rights, but also corresponding obligations. Union restrictions on production should be removed. "Feather-bedding" is an economic evil, penalizing its perpetrators, not merely the consumers. Effort should be rewarded. Piecework rates, or incentive bonuses to time workers, have lowered costs sensationally. A conservative wage policy by labor union leaders would conserve labor's gains. The next depression could thereby be postponed and mitigated. A short-sighted policy may achieve momentary gains, sometimes, but only at the cost of long-term losses.

(e) In this period of rapidly-changing price levels, **accounting analysis must be used to reveal the truth.** The accounts should be translated into the same kind of 1948 dollars throughout the books. Otherwise the reports are fictitious. A 1939 dollar on 1948 books is an imposter in disguise. In semantics the experts debunk words. By an analogous process, the economist-accountants must debunk numbers. Only thus can businessmen refute misstatements made both by labor leaders and government officials about the current high level of profits. The term profit is a misnomer. It is the balance available for expansion, modernization and for dividends to stockholders who furnish the tools of production.

(f) **Stockholders should be organized,** particularly the little fellows. They need defense against powerful o r g a n i z e d pressure groups. These little people are substantial owners of the companies and their voice should be heard. The rising cost of living cuts their "real income" also. Representatives of such small stockholders' organizations should be asked to participate at the wage hearings. **There the annual income of workers and such typical small stockholders should be compared.**

(g) **Stockholders must be educated,** if the management is to enlist their aid through their effective organization. Such education requires full annual reports giving considerable detail over long periods of time, such as, for example, the U. S. Steel Corporation furnishes. Furthermore, the annual and quarterly reports can illustrate, as do those of the General Motors or Standard Oil Company, for example, how the system of free enterprise works. An analysis could present the significant data about the relation between wages and dividends and between reinvested surplus and the increase in the number of employees.

(h) **The workers must be taught the economics and accounting of business.** A special report to workers must explain how wages get the bulk of the national income, how upward spiraling wages raise the cost and selling prices not only of the consumers' goods but also of raw materials like coal and steel, how small are dividends compared to wages, why investors in plant and equipment must receive a return to attract funds to the business and how undistributed profits create more jobs and help to lower costs.

(i) The public needs to be enlightened. Both by articles and by advertisements in the newspapers and magazines, **the managers must show the interdependence of wages and dividends,** how stockholders and workers have more in common and less in conflict than agitators and propagandists have been charging. Each corporation must do that job not only in its own interest, but **to preserve the system of free enterprise.** For on this depends the political future of our country. Here is a task calling for high industrial statesmanship. And American business leaders dare not be found wanting.

International Affairs and Effects

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the Marshall Plan, but they will not risk their futures by participation in transitory institutions or governments. They will look Eastward for a final solution.

Under this plan, economic and political warfare between the United States and Russia will be intensified. Costs of maintaining partition will mount rapidly. European recovery will be handicapped. Open warfare within a relatively limited period of time will be difficult to avoid.

Agreement With Russia

Sooner or later, I believe, we shall have to do something that now seems out of the question. We shall have to reach an agreement with Russia on Germany.

It is probably not too strong to say that lack of such an agreement on Germany within the next few years would indicate that another major war had become inevitable in the near future. It would be much too strong, however, to claim that such an agreement on Germany would indicate that another major war had been avoided. Agreement on Germany is probably necessary in order to prevent another major war, but it would not be sufficient.

The obstacles to such an agreement are many and substantial, probably more so from the viewpoint of the United States than from the viewpoint of Russia:

(a) The strategic position of the United States would suffer a fatal blow if a unified Germany became attached to the Eastern Sphere.

As a counter to this objection, it can be pointed out that Russia would be able to control a unified Germany through the Communist Party *only* if it were backed by a Russian-controlled secret police. The Communist Party is probably less popular in Germany than in most other Western European countries.

An essential condition for unification, therefore, would have to be a sufficient degree of internal strength and stability to act as a guarantee against Russian domination, without Germany's "war potential" being made so great as to alienate her Western European neighbors.

(b) Russia, on the other hand, would probably seek assurance that a unified Germany would not later become the military spearhead of an anti-Russian drive backed by the West.

This objection could possibly be met by limitations on the extent and nature of German recovery, which would also be desirable from the viewpoint of Benelux if not Great Britain; and assurance to Russia of supplies from current German production. Russia also has it within her power to strengthen her own security by establishing buffer zones in Central Europe, an area which she now controls and which will become an increasing drain on her economy unless some agreement can be reached on East-West trade.

Great Dangers

Will an agreement on German unification be reached? Would it be good or bad from the viewpoint of the United States? These are hard questions to answer.

The East-West struggle in Germany will have to lead either to war or to a compromise solution. The latter cannot be found with an iron curtain splitting Europe in the center of Germany. But whether the compromise would be good or bad for the United States depends on when it is reached, how it is reached, and what it is.

Russia has plans to set up a national German "unity" government in Berlin. She has organized a German army and a German secret police force. She has seized about 80% of all German securities, which were held in Berlin, a fact that confuses the ownership of German businesses and creates a favorable condition for groups that support the principle of state ownership. She has established trading monopolies in Eastern and Southeastern Europe that will be guided by political rather than economic motives.

If therefore the United States should agree to unification of Germany some time from now, after Russia's Eastern German government has been set up, and because some later Congress rebelled at the steady increase of costs in Western Germany, the agreement would almost certainly be a bad risk for the United States. **Such an agreement will be advantageous only if the United States takes forceful leadership in making it so.**

Germany Only the Beginning

Germany is not even the most important problem. It is simply one of several important problems, and I have talked about it at length because it has the greatest urgency. I shall be very brief about the Near East and the Far East.

Why is it that Russia, despite all the sabor rattling, supports the United States view on Palestine?

It is easy to say that the reason is because an Arab defeat would be a worse defeat for Great Britain than for the Arabs. But why does Russia want a defeat for Great Britain?

The answer, I believe, is that Russia hopes to transform a defeat for Great Britain in the Near East into a more general defeat for the United States in other areas.

Except for Palestine and the question of Sterling bloc preferences, Great Britain has gone along with United States policies. She has had to, if she was to get what she needed most—financial and economic assistance. She turned down the deal offered to her by Moscow last year—that Russia would respect her rights

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in the Near East if she would help to keep the United States out of that area. Since then Great Britain has lost her outpost in Egypt, and is now threatened with the loss of her whole stake in the Arab countries.

Great Britain, Russia can claim, is paying a heavy political price for the economic help she has been getting from the United States. And by threatening her with further political loss, as Russia did when she proposed bilateral conversations with the United States, Russia invites Britain to listen more carefully to the next deal that Moscow may decide to offer.

The Near East is just as bad a mess as Germany, but it is not at this moment as critical.

The same comment applies to the Far East. Here I shall make just two points.

(1) In Korea, we have been putting our democratic wares on display, side by side with what Russia pretends to offer. And I am ashamed to say that this country, which after its technical skill prides itself next on its selling ability, has come out a bad last in this contest. I don't believe that years of careful planning could have produced a program better calculated to weaken our friends and strengthen our enemies.

(2) Moreover, we just seem to be realizing that Korea is the main food supply source for Japan, which is our outpost by reason of our occupation. Manchuria was the main raw material base, but it is too late to do anything about that. So what happens to our plans for Japanese recovery? About the time they are completed, they have to be cut back. They have to be revised and modified because the possibilities of economic recovery have been limited by the results of our political action. They have to provide a much bigger place for China than was intended originally.

I venture to predict that we will hear much more about building up a heavy industry base in China as a major part of our Far Eastern policy before many months have passed.

Conclusions

I should like to sum up by drawing some conclusions and making some recommendations.

First of all, let me warn you against assuming that something will be done merely because it ought to be done. There is every reason to hope that the United States will do everything it must do to insure its peaceful future; but there is no reason to believe that it will do this, or to base our conclusions on the assumption that it will.

That is an awful thing to say, but I don't see how it can be avoided if we are to be honest. If we failed to admit that the United States might make mistakes, that there might be another war, and that we might again be relatively unprepared when it breaks out, we would simply be saying that there is no international problem.

Nor is there anything in the postwar record to cause us to feel too much assurance about the longer term future. These problems could be worked out. We have the industrial strength and economic resources necessary to work them out. But I am compelled to point out that until now we have displayed a greater supply of dollars than we have of diplomatic skill.

So far these dollars have been cheap. Spending them has caused no real anguish for taxpayers. But this situation will not last forever. What will the taxpayer say when it begins to hurt? Will he be a far-sighted statesman? Or will he vote with one hand on his pocket book. Answer those questions for me and I will make a more definite guess about the future.

The future of ERP and the ultimate level of defense spending will have a substantial effect on business activity. But they are subject to many uncertainties. It is easy to say that we should follow certain policies, but hard to say that we will.

Let's be realistic about ERP. How many votes were cast for it because it was a European Recovery Program, and how many because it was believed that it would stop Russia? I won't make a guess on that, but I know that the stop-Russia-with-dollars idea had a lot of influence, just as it did when Greece and Turkey needed money. In fact, I believe that impulse, and the timing of defense appropriations, and the fact that 1948 is an election year, had a lot to do with the intensity of the recent war scare. Otherwise, I don't see why there should have been so much hysteria here and so little abroad, where the danger would presumably be greater.

Don't forget, it is only a few weeks since public speakers were taken seriously when they stated that United States industry would be 40% mobilized for war by May 1 and 70% mobilized by Sept. 1. Such talk was either completely irresponsible nonsense or outright propaganda, but it nevertheless found an audience.

Let's be realistic about defense expenditures. We have heard of some mighty comprehensive blueprints. We know that these blueprints exist. But when and to what extent will they be put into effect? Anyone who stops to think knows that Russia, and the trend of income in the United States, will probably do as much or more to influence the answer to this question as will the men who made the blueprints.

Let's be satisfied for the moment with what we know now. The present defense budget will stick for fiscal 1949. Don't bet that it won't be cut again beyond that unless you are willing to bet that Russia will start or invite a war that she is totally unprepared for now.

Don't bet on sustained industrial mobilization during peacetime. Maybe it would be the best policy. But there will be many temptations to cut the defense and foreign budgets, and these temptations will grow stronger if there is any drop in income. Even a state of international crisis loses its force if it continues long enough to become normal.

Don't bet that there won't be an agreement with Russia on Germany within the next year or two.

Don't bet that ERP will continue as now planned. Our present foreign policy is based on United States financing of deficit economies, and that is not a very sound foundation.

Finally, don't forget that this is an election year. I know that purchasing agents are the last ones to believe everything they hear or read. But there is so strong a feeling that foreign policy should be kept out of politics that all of us are inclined to believe statements on foreign affairs that we would question if they were made about domestic affairs. It is regrettable but true that foreign policy has been in politics, and that it will stay there at least until November.

That date, in fact, is as important a landmark economically as it is politically. It marks the borderline between a well charted course for business activity and a sea of future uncertainty.

Free Gold Markets Change With the Times

(Continued from page 7)

U. S. ought to devalue the dollar. Eventually this was done, to the 69% profit of those who held their capital temporarily abroad. In the case of silver, in which large public speculation developed under the stimulus of such propaganda as the notorious Sunday radio discourses of Father Charles E. Coughlin, it was demanded that the Government nationalize private holdings of silver bullion at a "fair" price; and this too was done; again to the handsome profit of such speculators as the radio priest himself, as shown in the List of Silver Hoarders published in 1934 as a Senate document.

There is hence more than a little historical reason for assuming that, once a substantial investment interest in gold bullion comes into being in this country (under such proposals as that of McCarran and Engle) good old Uncle Sam will be asked to buy out the speculators at a handsome profit to them.[1]

Why a "Free Gold Market"?

Various arguments have been made for establishing in the United States a free market for newly-mined domestic and newly-imported gold. For instance, in the "Commercial and Financial Chronicle" of March 18, 1948, we find a paper of Mr. Neil O'Donnell, executive Vice-President of the Idaho Maryland Mines Corp., a gold-mining company. Mr. O'Donnell gives four arguments:

(1) Such a market would bring it about that "immediately the value of every currency would be determined" and checked daily.

(2) It would make available to the producer "the premium market now closed to him by a set of silly restrictions."

(3) "The establishment of convertibility factors of gold to currency would re-open the arteries of trade, the first essential to establishment of world peace."

(4) "It would stop the inflow of gold to the U. S. and start a better distribution throughout the world."

If all countries had free gold markets and were willing to have the gold-value of their monies jumping around from day to day and week to week, Mr. O'Donnell's first point might be valid: although one may raise the question whether it is the value of a currency in terms of gold, or in terms of other currencies which is important for world traders. But we must note that the argument falls down at the very first test, for the advocates do not propose that even the U. S. dollar's gold value be determined by free market forces, since as we have seen there would be a $35-an-oz. floor under the price of gold and the entire U. S. gold stock would be unavailable for Treasury sale in the United States, excepting to the arts at $35 an oz., if the "free market" would operate the way the sponsors of the McCarran-Engle bill obviously think it would.

Mr. O'Donnell's second point is, of course, the basic purpose of the free-market proposal advanced in mining circles. But the proposal seems not to have been carefully thought through. Would not the advent of substantial amounts of gold from this country tend to diminish or eradicate the premium prices obtainable today in foreign countries on foreign black or "parallel" markets? Those markets generally are believed to be limited in volume, as compared with the volume of foreign-exchange business otherwise going on.

It is doubtless the extreme of wishful thinking to suppose under prevailing conditions of economic weakness and "dollar shortage" that the governments of countries where today some gold is finding buyers at premium prices will waive all capital-movement controls so as to permit American gold interests to obtain a profit which can be brought back to the United States. This is equivalent to recommending that hard-pressed foreign countries with correspondingly weak currencies pay American sellers premium prices for newly-mined gold rather than apply their meagre resources toward industrial and economic reconstruction. In the cases of ECA countries, including China, the "free gold market" plan would in effect mean that ECA dollars should go to fill the additional drain occasioned by the purchase of gold from America at premium prices.[2]

Related to the foregoing is Mr. O'Donnell's third point.

Roundabout Reasoning

Unless Mr. O'Donnell includes gold movements in "the arteries of trade," it seems that the devotion of foreign countries' foreign-exchange resources to the purchase of gold from this or other countries, when what they all want is goods, would have an effect the opposite from that Mr. O'Donnell states. It would diminish the volume of world trade in goods. One could hardly argue that the earning of larger profits by American gold mines, as a result of the free trading in newly-mined gold would result in the United States buying more from abroad than it otherwise would buy. The whole mercantilist history of this country is that exporting (getting rid of goods) is the pleasant course while to accept imports of foreign goods (real wealth) is by and large distasteful to the American electorate.

As for Mr. O'Donnell's fourth point, for the reasons given above inflowing foreign gold would seek alternative foreign markets only under conditions unlikely to come into being any time soon. These are that countries, where black-market premiums for limited amounts of gold exist, make those black markets legal and free, which decision the writer cannot see them taking for a long time to come; and that the countries which have been responsible for our gold inflow would be willing to sell their gold at premiums in terms of currencies not freely convertible and without the power to buy the goods the gold sellers want. E.g., when Argentina sends gold here for sale, it is to buy American goods Argentina wants. What would Argentina be able to buy with the same gold sold at a premium in India, unless the movement of capital from India to the United States were unimpeded by exchange and export controls? Why doesn't Argentina today sell gold in premium markets? The answer is obvious.

The Kernel of the Nut

What it all seems to boil down to is that gold miners would like to get a higher price, and in view of the great inflation-potential at home, they cannot look forward to getting it from the Treasury. So they turn their eyes abroad. The arguments which, to them, may sound good today are very likely to become less plausible with the passage of time. All through United States history producers of monetary and coinage metals—gold, silver and nickel—have sought Mint markets with arguments which all too soon became dated. As good an example as any is the agitation for a free gold market in 1933, notably by the Committee for the Nation. (The latter even evolved a "Committee for the Establishment of a Free Gold Market in the United States.") A memorandum prepared at the time carefully listed under 10 headings the cases for and against a free gold market. Needless to say, the case against was disregarded by the Committee.

Historical Footnote

What were the Committee for the Nation's 10 arguments for a free gold market in 1933? And how do they stack up under the conditions of today, 15 years later? Judge for yourself from the following very condensed summation by the writer:

(1) "A free gold market would provide American businessmen and the public with regular quotations of the gold value of dollar currency and would thus make possible quick and easy revaluations of commodities in terms of gold." (Note the difference between this broad 1933 proposal and the more limited McCarran-Engle proposal.)

(2) "The establishment of a free gold market would greatly facilitate the increase of American commodity prices, required by the critical economic and financial conditions prevailing after more than three years of extremely severe business depression."

(3) A free gold market would encourage foreign gold producers and hoarders to send their gold here. (Compare this 1933 argument with Mr. O'Donnell's fourth point, cited above.)

(5) A free gold market here would divert gold from consumption in the arts.

(6) A free market for gold would draw to itself old gold jewelry, plate, coins, and other hoards. (The McCarran-Engle bill would deliberately feed gold hoards.)

(7) A free gold market "would permit business accounts to be readily kept in gold as a protection against foreign exchange fluctuations; in fact, it would permit the development of gold banking." (This has reference to the dual system of keeping business accounts during and following the Civil War in this country.)

(8) A free gold market in the United States would encourage repatriation of American refugee capital abroad.

(9) A free gold market would be of material assistance to official exchange-control operations. (Mr. Gutt, see here!)

(10) A free gold market would be "a step in reforming the American gold standard."

As noted already, the memorandum prepared for the Committee for the Nation gave the 1933 arguments both for and against these 10 points. The arguments are reproduced here now only to show how times change and how impossible it is to conceive of a set of conditions which gold and silver producers cannot use as arguments for a higher price for their products.

1 Cf. articles by the writer in the Journal of Political Economy, University of Chicago, Oct. & Dec. 1938, The Silver Episode; and August 1941, The Committee for the Nation: A Case History in Monetary Propaganda.

2 It is precisely to stop the drain of dollars for the private purchase of gold for hoarding in China and elsewhere that the International Monetary Fund has sought to stamp out the Black Market in gold. If feeding the demand for premium-price gold for hoarding were a desirable policy, foreign governments would today be using their gold for that purpose.

With Pacific Company

(Special to THE FINANCIAL CHRONICLE)

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Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available (dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date):

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	June 6	96.0	96.8	91.0	97.0
Equivalent to—					
Steel ingots and castings produced (net tons)	June 6	1,730,400	1,744,800	1,640,300	1,697,400
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	May 22	5,439,200	5,422,600	5,415,400	5,024,850
Crude runs to stills—daily average (bbls.)	May 22	5,587,000	5,640,000	5,517,000	5,015,000
Gasoline output (bbls.)	May 22	17,248,000	17,141,000	16,515,000	15,227,000
Kerosine output (bbls.)	May 22	2,129,000	2,253,000	2,452,000	2,089,000
Gas oil and distillate fuel oil output (bbls.)	May 22	7,106,000	6,800,000	6,831,000	5,611,000
Residual fuel oil output (bbls.)	May 22	9,284,000	9,002,000	8,877,000	8,345,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	May 22	106,934,000	108,285,000	111,128,000	97,062,000
Kerosine (bbls.) at	May 22	14,885,000	14,065,000	12,481,000	11,422,000
Gas oil and distillate fuel oil (bbls.) at	May 22	37,333,000	36,267,000	34,237,000	33,481,000
Residual fuel oil (bbls.) at	May 22	54,452,000	52,930,000	49,572,000	44,652,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 22	879,158	847,403	852,309	890,805
Revenue freight rec'd from connections (number of cars)	May 22	698,067	693,864	697,419	649,980
CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS-RECORD:					
Total U. S. construction	May 27	$189,903,000	$82,728,000	$183,253,000	$72,226,000
Private construction	May 27	99,513,000	17,747,000	68,849,000	39,037,000
Public construction	May 27	90,390,000	64,981,000	114,404,000	33,189,000
State and municipal	May 27	70,636,000	55,015,000	66,553,000	27,433,000
Federal	May 27	19,754,000	9,966,000	47,851,000	5,756,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 22	13,670,000	*13,250,000	11,558,000	12,770,000
Pennsylvania anthracite (tons)	May 22	1,183,000	1,206,000	1,162,000	1,084,000
Beehive coke (tons)	May 22	148,500	*141,900	63,700	134,700
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	May 22	295	293	296	277
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	May 29	5,076,025	5,085,412	5,042,352	4,429,109
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	May 27	112	92	106	72
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 25	3.24454c	*3.24454c	3.27585c	2.85664c
Pig iron (per gross ton)	May 25	$40.53	$40.53	$40.11	$38.15
Scrap steel (per gross ton)	May 25	$40.66	$40.66	$40.33	$30.42
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 26	21.200c	21.200c	21.200c	22.300c
Export refinery at	May 26	21.425c	21.525c	21.450c	23.675c
Straits tin (New York) at	May 26	94.000c	94.000c	94.000c	80.000c
Lead (New York) at	May 26	17.500c	17.500c	17.500c	15.000c
Lead (St. Louis) at	May 26	17.300c	17.300c	17.300c	14.800c
Zinc (East St. Louis) at	May 26	12.000c	12.000c	12.000c	10.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Govt. Bonds	June 1	101.56	101.53	100.87	104.51
Average corporate	June 1	113.31	113.12	112.37	117.00
Aaa	June 1	118.00	118.00	117.40	122.50
Aa	June 1	116.02	116.02	115.63	120.43
A	June 1	112.56	112.37	111.81	116.41
Baa	June 1	106.92	106.74	105.00	109.42
Railroad Group	June 1	108.70	108.70	107.09	111.62
Public Utilities Group	June 1	114.27	114.08	113.89	118.60
Industrials Group	June 1	117.00	116.80	116.22	120.84
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Govt. Bonds	June 1	2.39	2.39	2.44	2.20
Average corporate	June 1	2.99	3.00	3.04	2.80
Aaa	June 1	2.75	2.75	2.78	2.53
Aa	June 1	2.85	2.85	2.87	2.63
A	June 1	3.03	3.04	3.07	2.83
Baa	June 1	3.34	3.35	3.45	3.20
Railroad Group	June 1	3.24	3.24	3.33	3.08
Public Utilities Group	June 1	2.94	2.95	2.96	2.72
Industrials Group	June 1	2.80	2.81	2.84	2.61
MOODY'S COMMODITY INDEX	June 1	426.4	425.6	416.2	393.8
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUPS—1935-39=100:					
Foods	May 29	238.0	237.7	235.4	215.6
Fats and oils	May 29	279.2	301.8	269.7	215.9
Farm products	May 29	265.9	266.1	254.4	245.6
Cotton	May 29	358.5	361.5	358.9	343.2
Grains	May 29	263.4	265.2	264.4	268.1
Livestock	May 29	257.1	256.2	237.9	226.2
Fuels	May 29	228.6	228.6	228.6	172.2
Miscellaneous commodities	May 29	177.2	177.1	175.2	157.6
Textiles	May 29	214.2	215.2	214.6	215.5
Metals	May 29	165.2	165.2	164.9	149.4
Building materials	May 29	232.9	232.8	227.3	188.2
Chemicals and drugs	May 29	158.6	158.6	155.8	157.4
Fertilizer materials	May 29	136.1	136.1	136.3	128.0
Fertilizers	May 29	143.8	143.8	143.7	134.6
Farm machinery	May 29	139.4	*138.9	*138.9	125.3
All groups combined	May 29	223.3	223.3	219.3	196.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 22	170,701	155,789	181,067	148,740
Production (tons)	May 22	189,359	188,745	190,294	179,001
Percentage of activity	May 22	100	100	102	101
Unfilled orders (tons) at	May 22	363,959	385,907	393,044	507,171
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	May 28	146.9	146.8	145.8	144.8
WHOLESALE PRICES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	May 22	163.5	163.5	163.6	146.9
Farm products	May 22	189.2	187.9	188.9	177.2
Foods	May 22	177.2	178.9	180.4	160.3
Hides and leather products	May 22	188.6	189.0	187.1	166.4
Textile products	May 22	148.6	148.1	148.2	138.3
Fuel and lighting materials	May 22	133.7	133.4	132.6	104.3
Metal and metal products	May 22	156.6	156.5	157.2	141.8
Building materials	May 22	196.6	195.9	195.3	177.0
Chemicals and allied products	May 22	135.6	134.4	136.5	126.0
Housefurnishings goods	May 22	144.7	144.7	144.4	129.4
Miscellaneous commodities	May 22	121.4	121.2	122.2	116.5
Special groups—					
Raw materials	May 22	178.6	177.7	177.8	160.3
Semi-manufactured articles	May 22	152.5	152.5	153.7	142.6
Manufactured products	May 22	158.7	159.0	158.9	142.1
All commodities other than farm products	May 22	157.8	158.0	158.0	140.4
All commodities other than farm products and foods	May 22	149.2	149.0	149.0	132.2

*Revised figure.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION — For Month of April:			
Total gas sales (M therms)	2,831,944	3,124,745	2,726,603
Natural gas sales (M therms)	2,539,553	2,731,091	2,368,287
Manufactured gas sales (M therms)	202,306	247,514	206,814
Mixed gas sales (M therms)	90,085	146,140	151,502
AMERICAN PETROLEUM INSTITUTE—Month of March:			
Total domestic production (bbls. of 42 gallons each)	179,889,000	166,596,000	163,193,000
Domestic crude oil output (bbls.)	167,593,000	155,224,000	152,160,000
Natural gasoline output (bbls.)	12,268,000	11,344,000	10,953,000
Benzol output (bbls.)	28,000	28,000	80,000
Crude oil imports (bbls.)	8,682,000	8,354,000	9,263,000
Refined products imports (bbls.)	5,966,000	6,288,000	6,146,000
Indicated consumption—domestic and export (bbls.)	193,262,000	181,813,000	179,891,000
Decrease—all stock (bbls.)	‡1,275,000	575,000	1,289,000
BUSINESS FAILURES—DUN & BRADSTREET INC.—Month of April:			
Manufacturing number	99	136	117
Wholesale number	50	57	37
Retail number	175	194	84
Construction number	30	43	16
Commercial service number	50	47	23
Total number	404	477	277
Manufacturing liabilities	$7,057,000	$9,243,000	$11,822,000
Wholesale liabilities	2,629,000	1,684,000	1,493,000
Retail liabilities	2,476,000	3,714,000	1,503,000
Construction liabilities	1,662,000	957,000	247,000
Commercial service liabilities	1,472,000	1,883,000	1,015,000
Total liabilities	$15,296,000	$17,481,000	$16,080,000
COAL EXPORTS (BUREAU OF MINES)—Month of March:			
U. S. exports of Pennsylvania anthracite (net tons)	604,367	*412,423	527,540
To North and Central America (net tons)	377,861	345,617	397,306
To South America (net tons)	23	50	-----
To Europe (net tons)	226,483	*66,738	130,234
To Asia, (net tons)	-----	*18	-----
To Africa, (net tons)	-----	-----	-----
CONSUMER CREDIT OUTSTANDING BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Estimated short-term credit in millions as of April:			
Total consumer credit	$13,596	$13,399	$10,631
Instalment sale credit			
Automobile	1,476	1,363	753
Other	1,665	1,619	1,059
Instalment loans	6,736	6,501	4,536
Charge accounts	3,259	3,275	2,782
Single-payment loans	2,673	2,691	2,423
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES —			
Lint—Consumed Month of April	829,730	878,714	882,390
In consuming establishment as of Apr. 30	2,195,881	2,286,114	2,504,402
In public storage as of Apr. 30	2,860,277	3,676,735	2,117,197
Linters—Consumed Month of April	97,459	103,751	85,441
In consuming establishments as of Apr. 30	280,544	295,070	290,611
In public storage as of Apr. 30	70,345	64,126	82,077
Cotton spindles active as of Apr. 30	21,694,000	21,708,000	21,808,000
COTTON SPINNING (DEPT. OF COMMERCE)			
Spinning spindles in place on April 30	23,807,000	23,763,000	23,907,600
Spinning spindles active on April 30	21,694,000	21,708,000	21,604,590
Active spindle hours (000s omitted), April	10,667,000	11,005,000	10,242,721
Average spindle hours per spindle in place, April	475	492	428
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—month of March (000's omitted)	19,968,400	19,903,528	17,771,930
Revenue from ultimate customers—month of March	$354,599,500	$357,697,800	$313,073,500
Number of ultimate customers at March 31	38,899,580	38,747,518	36,590,165
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR — Month of April:			
Earnings—			
All manufacturing	$51.56	*$52.07	-----
Durable goods	54.81	*55.36	-----
Non-durable goods	48.01	*48.58	-----
Hours—			
All manufacturing	40.0	*40.3	-----
Durable goods	40.4	*40.8	-----
Non-durable goods	39.5	39.8	-----
Hourly earnings—			
All manufacturing	$1.290	*$1.291	-----
Durable goods	1.357	1.35[illegible]	-----
Non-durable goods	1.216	1.21[illegible]	-----
LIFE INSURANCE PURCHASES—INSTITUTE OF LIFE INSURANCE—Month of April (000's omitted)—			
Ordinary	$1,287,130	$1,242,718	$1,269,132
Industrial	200,987	225,202	167,136
Group	369,386	342,917	359,906
Total	$1,857,503	$1,810,837	$1,796,174
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS' ASSOCIATION) — Month of April:			
Total number of vehicles	438,082	492,013	423,399
Number of passenger cars	308,071	349,998	314,765
Number of motor trucks	128,963	140,606	106,984
Number of motor coaches	1,048	1,409	1,650
PAPER AND PAPERBOARD (DEPT. OF COMMERCE)—Month of January:			
Output of all types of paper (tons of 2,000 pounds)	1,863,754	*1,742,888	1,766,069
Paper output (tons of 2,000 pounds)	946,507	*893,794	892,983
Paperboard output (tons of 2,000 pounds)	796,077	*728,460	767,172
Wet machine board output (tons of 2,000 pounds)	11,774	*11,526	10,811
Building board output (tons of 2,000 pounds)	109,396	*109,108	95,102
Mill receipts of pulpwood (cords of 128 cu. ft.)	1,806,917	*1,613,486	Not Avail.
Softwood (in cords)	1,566,664	*1,370,467	Not Avail.
Hardwood (in cords)	240,253	*243,019	Not Avail.
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of March (000's omitted):			
Savings and Loan Associations	$296,509	$252,290	$270,724
Insurance companies	80,974	65,853	50,955
Banks and Trust Companies	228,489	204,388	229,862
Mutual Savings Banks	45,383	33,169	39,961
Individuals	171,571	150,461	157,802
Miscellaneous lending institutions	132,515	115,713	109,371
Total	$955,441	$826,874	$858,675

*Revised figure. ‡Increase all stocks (bbls.).

The Income Statement—Problem Child of Accountancy

(Continued from page 12)

serves should not enter into the determination of net income."

In Accounting Research Bulletin No. 31, which dealt with inventory reserves and which was issued in October, 1947, the following position was taken:

"The Committee is therefore of the opinion that inventory reserves, such as those created:

(a) for possible future inventory losses on inventories not on hand or contracted for, or

(b) without regard to any specific loss reasonably related to the operations of the current period, or

(c) for the purpose of reducing inventories other than to a basis which is in accordance with generally accepted accounting principles

are of such a nature that charges or credits relating to such reserves should not enter into the determination of net income and that they should not be used to relieve the income account of any year."

Opposes Allowing for Excessive Construction Costs

And in December 1947 the Committee on Accounting Procedure in its Accounting Research Bulletin No. 33, entitled "Depreciation and High Costs," expressed the view that "It would not increase the usefulness of reported corporate income figures if some companies charged depreciation on appraised values while others adhered to cost. The committee believes, therefore that consideration of radical changes in accepted accounting procedure should not be undertaken, at least until a stable price level would make it practicable for business as a whole to make the change at the same time.

"The committee disapproves immediate write down of plant cost by charges against current income in amounts believed to represent excessive or abnormal costs occasioned by current price levels."

It is, of course, no secret that the dollar amounts of reported corporation profits in 1947 were in general higher than ever before. And one need not be an economist or financial expert to realize that the economic future of industry is cloudy to say the least. With some "experts" contending that business in general, and prices in particular, will continue as at present for an indefinite period; others predicting even more business and still higher prices; and still others taking the position that our economy is due for a nosedive, if not tomorrow then within the very near future, it is small wonder that corporation officials, charged with the making of current profits and the retaining of such part of those profits as is necessary to keep the business moving have resorted to various and sundry ways to reflect in their financial statements the accomplishment of this purpose.

And certainly an apparent lack of agreement among accountants as to just which elements should and which should not enter into the determination of profits and as to the circumstances under which an appropriation to a reserve should be treated as a charge against profits or a reservation or "earmarking" of surplus cannot be expected to allay management's disinclination to accept as realistic profits determined in accordance with accepted accounting principles which contemplate adherence to cost and the matching of expired actual costs against revenues.

It is interesting to note in this connection the comments contained in an article entitled "Accountants Debate What Should Go Into Net Income; They Decide Everything but . . . ," which appeared in the Dec. 22, 1947 issue of "Barron's National Business and Financial Weekly." This article stated in part that "Once insistent that a corporation's statement of 'net income' should recognize all items of profit and loss during the period covered, accountants are weakening on that opinion. In a bulletin released Dec. 21, 18 of the 21 members of the Committee on Accounting Procedure of the American Institute of Accountants now show a veering toward the 'current operating performance' type of income statement as opposed to the 'all inclusive' form. . . . The bulletin seems to try to straddle . . . Essentially the conflict lies between two views . . . But whatever conclusions the accountants reach on just what does constitute 'income,' it is up to corporations to try to present all the facts to their stockholders. Investment analysts, bankers and some others will check income accounts carefully to determine for themselves whether each item in it, and those not in it, would alter the actual net income. Barron's will call its readers attention to non-recurring items, explaining their true significance. But for the average stockholder, the 'net income' and 'dollars per share' is the one figure of interest."

It should be observed that the stockholders reports of most industrial companies are not subject to the jurisdiction of the Commission, and therefore, these reports provide a free medium for experimentation in form and content assuming, of course, that divergencies between statements included in such reports and those filed with us are not so great as to raise questions as to the propriety of certification of both sets by independent accountants as fair presentations of the data involved. It follows, of course, that newspapers and other financial publications are, and obviously can only be, free to comment upon financial data in the light of their own conceptions of significant disclosure. Furthermore, unless a corporation having securities listed on a national securities exchange has filed a registration statement recently pursuant to the Securities Act of 1933 in connection with the sale of securities, or has filed financial statements or its report to stockholders in connection with a proxy solicitation, we have no definitive basis for passing upon the merits of that corporation's current accounting practices until its annual report is filed with us. This filing is not due until 120 days after the close of the corporation's fiscal year so that, except in those relatively few instances in which a corporation's fiscal year ended prior to Dec. 31, 1947, and in a very few cases where a corporation whose fiscal year ended on Dec. 31, 1947, filed before the close of the 120 day period, we did not have available for examination the bulk of 1947 corporate annual reports (some 2,500 or more) until the first of this month—just a few days ago.

I have emphasized this situation because I think the public generally does not realize that the reports of corporation earnings for 1947 currently appearing, or commented on, in the public press or in statistical services may be different in some important respects from those subsequently filed with us. And some of them cannot but be different if they are to meet our conception of completely informative and non-misleading statements.

Non-Recurring Items

I have been much interested in a feature of the "Wall Street Journal" headed "Digest of Earnings Reports." This digest, in columnar form, shows the "Net Income" and "Earnings per Com. Share" for the years 1947 and 1946 of from 15 to 40 corporations daily. Similar data are shown for those companies which have made interim reports. At the bottom of the digest are footnotes identified by various symbols directing attention to unusual or extraordinary circumstances affecting the reported net income. On April 1 the digest covered the reports of 49 companies, 15 of which were the subject of footnotes including the following:

"Before deducting $10,000,000 provision for inventory price decline reserve";

"After provision of $1,415,000 in 1947 and $1,558,000 in 1946 for possible inventory price declines";

"After provision of $4,500,000 for inventory decline";

"After special reserve appropriation totaling $525,000";

"After reserve appropriations" (no amount shown);

"After $6,000,000 provision for contingencies";

"After giving effect to $13,798,474 restoration of reserves";

"Includes reserve credit of $190,705";

"Includes $100,233 transferred from reserves";

"After giving effect to $6,255,341 gain on sale of property";

"Includes $1,896,317 profit on sale of capital assets";

"After $441,000 for anticipated loss under retirement plan."

On other days the following footnotes appeared:

"After $350 000 inventory reserve";

"After an appropriation of $1,126 186 for research and advertising";

"Includes credit adjustment of $224,445";

"After giving effect to $564,996 recovery of prior year's loss on dredging contract";

"Exclusive of $1,050,000 restoration of contingency reserve. Including this reserve net was equal to $5.17 [instead of $3.78] a share";

"Includes $200,000 transfer from reserve for plant reconversion";

"After deducting $600,000 provision for possible inventory losses and for replacement of plant facilities, etc.";

"After deducting $300,000 for plant and equipment replacements";

"Before appropriation of $1,800,000 for replacement of facilities at current cost. After deducting this reserve the common share earnings were equal to $5.35 [instead of $6.06]";

"Profit before provision for depletion and income taxes" (no amounts shown);

"After provision of $278,093 for employees' profit-sharing and retirement";

"Includes $110 319 profit on sale of treasury stock."

It seems apparent that in this Digest of Earnings the "Wall Street Journal," like Barron's, is attempting to "call its readers' attention to non-recurring items, explaining their true significance" so that, as stated in the Barron's article, "investment analysts, bankers and some others [may] check income accounts carefully to determine for themselves whether each item in it, and those not in it, would alter *the actual net income.*" [Underscoring supplied.]

Surely this is a constructive purpose and a necessary function of financial publications if the information conveyed to its readers through financial statements is incomplete or incomprehensible.

The extent to which this purpose is accomplished seems considerably limited, however, for it will be noted that no two footnotes are worded exactly alike. For example one refers to "inventory price decline," another to "possible inventory price declines" and still another simply to "inventory reserve." How is one to know from these explanations whether the inventory loss reserved against has actually taken place in the current accounting period, or definitely is to be expected in a subsequent accounting period or is merely an indefinite contingency? Also several of the notes refer to appropriations or provisions without stating any amount and others combine two types of items in one amount.

Furthermore, no mention is made in these notes of items which may have been carried direct to surplus. And is the reader to understand that the absence of footnotes with respect to a particular company indicates that no unusual circumstances exist?

But why should it be necessary for readers of income statements to satisfy themselves as to whether they reflect "the actual net income"? It is management's responsibility to prepare such statements so that there can be no doubt as to the net income and it is the function of independent accountants to determine whether management has done so. If the statements are prepared in accordance with generally accepted accounting principles there should be no question on this point.

But what are the generally accepted accounting principles underlying the preparation of income or profit and loss statements?

In Accounting Research Bulletin No. 9[1] issued by the American Institute of Accountants' Committee on Accounting Procedure in May 1941, the "income account" or "statement" is defined as:

"An account or statement which shows the principal elements, positive and negative, in the derivation of income or loss, the claims against income, and the resulting net income or loss of the accounting unit."

This definition, which coincides with Rule 5-03 of this Commission's Regulation S-X, promulgated about a year before the issuance of Bulletin 9, seems to describe pretty clearly the composition of the income statement. And I should expect that the final item on such a statement would be *the* net income for the period covered by the statement.

However, the Accounting Procedure Committee's Bulletins 28, 31, 32 and 33 contravene Bulletin 9 and our Rule 5-03 in that they permit the showing on the income statement of items having no part in the determination of net income.

It seems to me that under these circumstances the principles underlying the preparation of income statements are at best contradictory and, in so far as the determination of "the actual net income" is concerned, are nonexistent.

Notwithstanding this unsatisfactory situation, some of the published income statements to which I have referred were prepared in a manner which complied with the foregoing definition contained in Bulletin 9 and the provisions of Rule 5-03 of Regulation S-X and others failed to comply therewith, yet the independent accountants' certificates applicable to a large majority of both types of these statements contained the usual statement in the opinion paragraph that "In our opinion the . . . statements of profit and loss and surplus present fairly . . . the results of operations for the year in conformity with generally accepted accounting principles. . . ."

And in some of those few instances where exception was taken to certain principles applied in the income statement it was difficult to determine what the certifying accountant considered the applicable generally accepted accounting principles to be.

For example, the following paragraphs appeared in the certificate pertaining to the financial statements for 1947 of a large industrial company:

"During the year, a reserve for property replacement and/or excessive cost of new facilities was provided by a charge to operations of $2,000,000. While provisions for such reserves by charges to income has not yet been recognized as technically conforming to accepted accounting principles, we, nevertheless, believe the charge to be justified in view of the company's relatively large plant investment and the economic conditions existing during the year 1947.

"In our opinion, subject to the comments in the preceding paragraph, the . . . statements of income and surplus present fairly . . . the consolidated results of operations of the company . . . for the year, in conformity with generally accepted accounting principles . . ."

In a certificate which was applicable to the accounts for 1947 of another large industrial company *the same accounting firm* stated that:

"The corporation included in its costs and expenses, and as a deduction in determining net income for the year 1947, a special provision for depreciation of $3,500,000 based on greatly increased construction and property replacement costs, this being in addition to the amount computed on the basis of cost in accordance with generally accepted accounting principles on which the provisions for depreciation have heretofore been made. . . ."

"In our opinion, subject to the exception noted in the preceding paragraph, the . . . statements of profit and loss and surplus present fairly . . . the consolidated results of their operations for the year in conformity with generally accepted accounting principles . . ."

* * *

It is indeed unfortunate that a great number of the income statements currently being made public are so equivocal as to require explanation or clarification beyond that contained in the statements themselves. Does this situation not indicate the necessity for the establishment of more definite and more substantive accounting principles governing the determination of net income and the preparation of income statements: principles which truly may be said to be *the generally* accepted accounting principles and from which departure may be concurrent in by the certifying accountant only at the risk of impairment of professional standing?

* * *

It should be understood that the views I have expressed are not necessarily those of the Commission, except, of course, to the extent that reference has been made to published opinions, rules and regulations.

[1] This bulletin was identified as a "Special" bulletin and is entitled "Report of Committee on Terminology."

With Paine, Webber Firm

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Leslie W. Sachs is now with Paine, Webber, Jackson & Curtis, 626 South Spring Street. He was formerly with C. E. Abbett & Co.

With Denault & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Alonzo N. Swallow has become affiliated with Denault & Co., Russ Building. He was previously with Mason Brothers.

The Coal Situation

(Continued from page 8)

million tons of bituminous coal production in 11 months in 1947, additional capacity is needed. To answer this, let us break down this figure and see where the coal came from.

Approximately 125 million tons were mined by strip mining methods. Some of this coal is of excellent quality and, when properly prepared, compares favorably with underground mined coal from the same seams. Some of the coal stripped, however, was of inferior quality, high in ash and moisture and low in heat value, and received no preparation at all. The available acreages in many cases were so low as to prohibit the construction of adequate cleaning and preparation facilites. For this reason only one-half to two-thirds of this coal was handled through modern cleaning and sizing plants.

Between 75 and 80 million tons were mined from so-called "snowbird" mines—temporary underground mines, without rail connections and without tipples, producing a few tons or a few hundred tons per day, largely loaded into trucks as mine-run coal and dumped into railroad cars over ramps. Generally speaking, this is not the type of coal you gentlemen desire to buy. It did help, and is still helping, alleviate a critical shortage of coal both at home and abroad, but it needs to be replaced by better coal from modern plants and where it can be properly cleaned and sized for the particular use of specific consumers.

Of the remaining 400 million tons, coming from deep mines, approximately 100 million tons came from small mines with a capacity under 200,000 tons per year without modern tipples, cleaning or sizing plants. I want to make it clear that a substantial proportion of this is good coal, excellent for many purposes, but from the standpoint of size and preparation it does not have the elasticity necessary to meet the diversified requirements of a wide range of burning equipment in a wide variety of plants.

May I say at this point that no producing district has a monopoly on good coal and good preparation? All have some good coal and some not so good, as described above.

I am giving you these figures to show you that with a large number of mines worked out during the war and the underground development that has been exhausted, you gentlemen and the country-at-large must recognize the fact that the bituminous coal industry does have a tremendous job ahead to provide facilities for mining and preparing an adequate supply of coals of the highest quality and the particular sizes and burning characteristics to meet your individual plant requirements. In no other way can you operate your plants at the highest efficiency.

Let me again remind you here that we cannot develop these facilities quickly and economically, because you are not able to supply us quickly and economically the materials and equipment we need to buy from you.

Where Must the Money Come From?

Where is the money coming from for all of these new plants? Assuming the average life of a mine as 20 years, it should follow that at the end of that time we should have set up sufficient reserve to depreciate fully the original capital cost of the mines now working out and have money enough in the bank to replace the old mines as they become exhausted.

However, the records show that in 12 out of the past 20 years the coal industry as a whole has been in red ink and the depreciation reserves were red ink on the books instead of dollars in the bank. The tax laws will not permit increasing depreciation reserves in profitable years to make up the lack of cash reserves in unprofitable years. Therefore, generally speaking, the industry's depreciation reserve accounts today do not contain in cash more than 40% of the original cost of the mines now working out.

But that is not all! It now costs fully three times as much as it did just 10 years ago to develop a new mine with modern equipment for mining, cleaning and sizing coal; therefore, approximately 85% of this cost must be financed in some other manner. Even if the money could be borrowed from banks, which is improbable, it would not be sound business to start these mines off under any such burden of capital investment unless a large portion of it could be paid out of earnings in the next three or four years.

The best information we have strongly indicates that more money was put back into new plants and facilities in 1947 than was left after paying the current essential expenses and normal dividends and that many companies have entirely exhausted reserves which might have been used for that purpose. This is true in other industries as well.

Our industry needs to spend in the next two or three years a minimum of $500 or $600 million for new plant and equipment. In these days of billions these amounts may seem small to you, but when you recognize that over the past 20 years the bituminous coal industry has operated at a considerable loss, and even in 1947, the best year of our lifetime, the industry, comprising six or seven thousand companies, probably earned less than half as much as several of the individual companies represented in this group today, you will realize that these amounts seem very large to us.

I mention this only to show you that money is going to be needed by the coal industry in the next few years in much greater quantities than ever before if we are to continue to serve you in the future as we have in the past. There is probably more need for expansion of facilities today than ever before in the history of the coal industry, which unfortunately comes at a time when the cost of such expansion and the time required are greater than at any time in history.

It is to the interest of you, gentlemen, and the American public that this money be available so that these expenditures can be made, because neither our country nor any other country can live well and prosper without an adequite supply of the right kind of coal.

Coal Industry Earnings

You might say to me that the coal industry has earned considerable profit in the last several years. My answer would be that it has earned a profit for the past eight years, but not a considerable profit. As a matter of fact, in the eight years ending with 1946, there was not a single year in which the net profit per ton was as great as 10 cents per ton which we pay to the United Mine Workers of America Welfare and Retirement Fund under our present contract. Such profits are not sufficient to complete the necessary expansion program, although a goodly portion has been plowed back into the properties. Speaking of profits, I might observe that in 1946, the last year for which we have reliable statistics, the coal industry earned 2% on its investment, while manufacturing and industrial concerns earned 8%.

We are justly proud of the advances we have made in mechanical mining and cleaning. The mechanical efficiency of American coal mining is greatly envied by foreigners who cannot approach our standards. For example, in 1947 the American underground bituminous miner produced 5.8 tons per man shift, while his British cousin produced 1.2 tons per man shift. The American bituminous coal miner is paid approximately three times as much as the British miner.

On account of its utter dependence upon railroad car supply and difficult labor conditions, bituminous mines probably suffer more under present conditions from intermittent operations than any other major industry in the country.

The earnings of coal miners in this country are extraordinary. For example, the average weekly earnings in January, 1948, amounted to $75.91 industry-wide, including part-time work account absenteeism and car shortages. Tens of thousands of bituminous coal miners earn $400 to $500 and some even $800 to $900 per month.

But the final payoff on our mechanical productivity is this: In 1936 in this country some 477,000 miners produced 439 million tons of bituminous coal. In 1947, after a span of 11 years, 399,000 miners produced 620 million tons of bituminous coal and were on strike for four weeks. This is to say mechanization of mining was a big reason why 78,000 fewer men mined 181 million more tons.

So much for mechanized efficiency except for two vital observations: (First) Instead of dividing the benefit of progress through mechanization among the public, the miners and the mine owners we have been forced to turn all of the savings over to the miners. (Second) You as buyers and consumers of bituminous coal have a vital stake in our expansion program and our ability to progress it rapidly.

I predict with confidence that the production, preparation and distribution of bituminous coal coal will continue to make tremendous strides in the next few years — that the demand will call for more and more refinements in the preparation of coal for the market — that we shall see a continuation of improvement in burning equipment and processes involving the consumption of coal and a constant increase in efficiency in its use.

Regularity of Supply

Since heat, light and power are essential to our everyday life, all of us would like to be assured that we will continue to have a regular supply of coals and other fuels, uninterrupted by strikes or other emergencies. This is desirable from the standpoint of the public, the miners and the producers. These strikes cannot be eliminated by wishful thinking on the part of the coal operator or the public.

Prior to NRA in 1933 we did not have national strikes in the coal industry. When strikes did occur, they were confined to certain districts and regions, while other producing fields continued to operate, thus preventing a national calamity even though the strikes were costly to the miners and operators in the striking districts and to the consuming public dependent upon them for coal.

Before that time all monopolies affecting the public welfare were illegal. However, Congress and the Courts changed the laws and labor monopolies are no longer illegal in this country. Monopolies always have existed and always will exist where permitted, yes, even encouraged, by laws of the land. Strikes brought on and made effective by absolute labor monopolies are unavoidable and difficult to settle by collective bargaining processes.

As I understand the situation now, only positive action by Congress can make labor monopolies unlawful. Everyone condemns monopolies except those who reap the benefits of them, but unfortunately those who condemn them are unorganized. Congress does not hear their voices in the same manner they hear the voices of those who control the highly organized, well financed monopolies.

What is the solution? When the American people wake up and recognize these facts and demand that these monopolies be prohibited by law and make their demands heard in Washington, then Congress will act and not otherwise. Unless this is done, we must expect strikes which will not only vitally affect every citizen of the United States, but will endanger our whole form of government.

The best example of what must be expected if these monopolies are to continue can be found in Great Britain today. Great Britain had been drifting toward nationalization through restrictions in trade and commerce caused by monopolies, cartels and strikes over the past 25 years. The British economy was being throttled and partially destroyed by shortage of coal. Actual nationalization has intensified this situation. The British Empire is now a second or third rate power, largely as the result of exchanging the freedom of the individual and free enterprise for a socialistic state. It is of the highest importance that Americans realize that the less government interference we have in our lives and business the more prosperous our nation will be. This will apply to coal operators, coal miners and the American people alike.

Price Trends

What price trends should be expected? Coal does not now and never will have a monopoly in the markets. It cannot prosper unless it is able to render satisfactory service at costs which are competitive with other fuels. Competitive costs involve three things: (1) delivered cost of coal, (2) delivered cost of other fuels and (3) relative efficiency with which the various fuels can be utilized.

When and if the present spiral of inflation begins to level off, undoubtedly, coal prices will level off. When and if through amendments to the Labor-Management Act and the Anti-Monopoly laws we restore a proper basis for labor-management relations, continued steady operation of the mines will convert the present sellers' market to a buyers' market. The same is true of other industries.

The coal industry has been under pressure for seven years and constant straining for production as you well know in your business, is an expensive method of operating. When we can obtain cars, our mines are working as many days per week as they did during the war — we are paying just as much overtime and at a higher rate — the miners' take-home pay is not only the highest in history, but the highest of any major industry in the world. Most other industries have been able to cut out a large proportion of overtime payments.

This is another way of saying that as general industry, including the coal industry, strikes a closer balance between supply and demand, we can expect to increase our efficiency and improve our costs in order to maintain our competitive position in the markets. Incidentally, we shall also hope to be able to reduce our prices to you through a reduction in the prices you charge us for things we buy from you.

Conclusions

Even though the American people are faced with many uncertainties today, as I see the future of the bituminous coal industry I am convinced the following statements are justified:

(1) In case of national emergency when other fuels have to go to war, bituminous coal will come to the rescue in the future as it has in the past.

(2) In the future as in the past the industry will fully meet its over-all responsibilities to the national economy, whether in a national emergency or at peace.

(3) It will continue to progress in the technology of coal mining, preparation and utilization.

(4) Although there may be changes in the forms and processes in which coal may be used, the industry will find some way of generally maintaining its competitive position in the markets as it has in the past.

I should also like to point out two conditions upon which these statements are predicated. They are just as vital to your welfare as they are to ours. The first is that Congress should in the very near future make all monopolies unlawful, and, second, that free American enterprise must be effectively maintained in the coal industry as well as all other industries.

In conclusion I should like to say that I have had no intention of debating the relative value of coal and oil in the markets or as fuels. I have nothing but the greatest of respect and admiration for the splendid manner in which the oil industry has done and is doing its job. Oil cannot entirely displace bituminous coal and bituminous coal cannot entirely displace oil. There is a place in the markets for both of us just so long as we both properly serve the public at competitive prices for equivalent service. The measure of our participation in the common markets will depend upon our own ingenuity, initiative and resourcefulness. I am sure you will agree with me that this is a healthy condition and our national economy can best be served by having it continue.

Halsey Stuart Offers Illinois Tel. Bonds

Halsey Stuart & Co. Inc. and associates are offering publicly today (June 3) $60,000,000 Illinois Bell Telephone Co. First Mortgage 3% bonds, Series B, due June 1, 1978 at 102.75% and accrued interest. The group was awarded the bonds at competitive sale on its bid of 102.2099.

Net proceeds will be applied toward repayment of advances from American Telephone and Telegraph Co., its parent. The advances, which totaled approximately $100,000,000 on May 31, 1948, were obtained in conformity with an established practice of the company, which it expects to continue, of borrowing from the parent, as need therefor arises, for general corporate purposes, including extensions, additions and improvements to its telephone plant. It is now engaged in the largest construction program in its history.

The Company also intends to offer 389,995 shares of its Common Stock pro rata to shareholders for subscription on or before July 1, 1948 at par, $100 per share, and to apply the proceeds from the sale of such shares toward repayment of advances from the parent then outstanding.

The bonds will be redeemable at prices scaled from 105.75% to 100%; plus accrued interest in each case.

Following sale of the new bonds, the company's outstanding capitalization will consist of $110,000,000 in funded debt and 1,949,976 shares of common stock.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Air Lanes, Inc., Portland, Me.
April 26 (letter of notification) 10,000 shares of preferred stock and 10,000 shares of common. **Price**—Preferred, $10 per share and common 1 cent. For plant and equipment costs and working capital. **Underwriter**—Frederick C. Adams & Co., Boston.

• Alico Investment Co., Huntington, W. Va.
May 19 (letter of notification) 58,000 shares of class A common stock. **Price**—$5 per share. No underwriter. To organize a life insurance company.

• American Bosch Corp., Springfield, Mass.
June 2 filed 535,882 shares of class B ($1 par) common stock. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Glore, Forgan & Co. and Lehman Brothers (jointly); Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane (jointly). The Attorney General (successor to the Alien Property Custodian) as holder of the stock, directed the sale.

Ampal-American Palestine Trading Corp., N. Y.
April 7 filed $10,000,000 10-year 3% sinking fund debentures. **Underwriter**—Name to be filed by amendment, if any is used. **Proceeds** — $5,000,000 in mortgage loans for construction of housing in Palestine, $2,500,000 in loans to transportation and industrial cooperatives, and $2,200,000 in loan to Solel Boneh, Ltd., for public works.

• Arapahoe Basin, Inc., Denver, Colo.
May 25 (letter of notification) 25,000 shares of 6% preferred stock. **Price**—$1.25 per share. No underwriting. To construct a winter sports resort.

Bankers Fire & Marine Insurance Co., Birmingham, Ala.
April 27 (letter of notification) 25,845 shares of common stock. **Price**—$8. **Offered**—Offered for subscription to stockholders of record March 31 on basis of one new share for each two shares held. Rights expire 5 p.m., June 30. To increase capital and surplus. No underwriting.

• Barlow & Seelig Manufacturing Co., Ripon, Wis.
May 24 (letter of notification) 8,820 shares ($1 par) common stock. **Price**—$8 per share. **Underwriters**—McMaster Hutchinson & Co. and Charles W. Brew & Co.

• Beneficial Industrial Loan Corp., Wilmington, Delaware (6/16)
May 27 filed 100,000 shares (no par) cumulative preferred stock and an unspecified number of shares of ($10 par) common stock with scrip certificates to cover the conversion by July 1, 1958. **Underwriter** — Eastman, Dillon & Co., New York. Price and dividend rate by amendment. **Proceeds**—General funds. **Business**—Industrial loans.

• Berry (D. N.) Co., Denver, Colo.
May 27 (letter of notification) 133,000 shares of common stock. **Underwriter**—John G. Perry & Co. For working capital.

• Borderminster Exploration Co. Ltd., Ottawa, Canada
June 2 filed 500,000 common shares ($1 par). **Underwriter**—Mark Daniels & Co. **Price**—40c per share Canadian funds. **Proceeds**—For exploration of properties.

• Carr-Consolidated Biscuit Co., Wilkes-Barre, Pennsylvania
May 26 (letter of notification) 15,000 shares of common stock, to be sold in open market for account of Jasper B. Carr. Underwriting, none.

Central Maine Power Co.
Nov. 10 filed 160,000 shares ($10 par) common. **Underwriting**—Company called for competitive bids Dec. 8, 1947 and only one bid, that of Blyth & Co., Inc. and Kidder, Peabody & Co. was submitted and was rejected by the company. They bid $13.75, less $1.75 underwriting commission. Now expected on negotiated basis through Blyth & Co., Inc. **Offering**—To be offered to 6% preferred and common stockholders for subscription on the basis of one-half share of new common for each preferred share and one-tenth share of new common for each common share held. Price by amendment. **Proceeds**—For construction and repayment of bank loans.

Central Power & Light Co.
Nov. 21 filed 40,000 shares ($100 par) cumulative preferred. **Underwriters**—Lehman Brothers; Glore, Forgan & Co., Dewar, Robertson & Pancoast. **Proceeds**—For property additions and expenses. On April 15, SEC denied effectiveness of registration statement.

Central Vermont Public Service Corp.
March 30 filed $1,500,000 Series E first mortgage bonds and an undetermined number of common shares (no par). **Underwriters** of common—Coffin & Burr. Bonds to be placed privately. Common stock will be offered to common stockholders through subscription rights and to common and preferred stockholders through subscription privileges. **Proceeds**—For a construction program and repair of flood damages.

Century Steel Corp., Hollydale, Calif.
Nov. 10 filed 4,000 shares ($100 par) common. **Underwriting**—None. Shares will be sold at par by directors. **Proceeds**—To purchase rolling mill, equipment and for working capital.

Challenger Airlines Co., Salt Lake City, Utah
March 1 filed 600,000 shares ($1 par) common stock, of which 400,000 are being sold for the company and 200,000 for the account of Claude Neon, Inc. **Underwriting**—None. **Price**—$2 a share. **Proceeds**—For equipment purchase and general funds.

• Champion Shoe Machinery Co., St. Louis, Mo.
May 26 (letter of notification) 10,000 shares of common stock and 200 shares of preferred stock. Price for common $3.50 per share, and for preferred $30 per share. **Underwriter**—Edward D. Jones & Co.

• Church-Craft Pictures, Inc., St. Louis, Mo.
May 27 (letter of notification) 749 shares of 5% cumulative preferred stock (par $100) and 6,565 shares of common stock (par $10). Price, par for each class. No underwriter. To produce Bible Story films.

Cincinnati Gas & Electric Co., Cincinnati
May 21 filed $15,000,000 first mortgage bonds, due 1978. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; W. C. Langley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Union Securities Corp.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Glore, Forgan & Co. and White, Weld & Co. (jointly). **Proceeds**—Construction program.

Clinton (Mich.) Machine Co.
April 15 (letter of notification) 10,000 shares of stock to be sold at $5⅛ each (market price), for selling stockholder. **Underwriter**—Charles E. Bailey & Co., Detroit.

Columbia Television, Inc.
May 18 (letter of notification) 100,000 shares of preferred stock and 100,000 shares of common stock. **Price**—$3 per unit of one share of each. **Underwriter**—H. B. Burr & Co. is exclusive selling agent. The selling agreement requires Burr to sell 40,000 units within 90 days, an additional 30,000 units 180 days thereafter and a further 30,000 units within 210 days thereafter. **Proceeds**—Will be used to manufacture television sets, purchase test and production equipment for plant.

• Commonwealth Lead Mining Co., Salt Lake City, Utah
May 27 filed 2,000,000 shares of non-assessable common stock (10¢ par). **Offering**—1,303,733 shares are to be offered in exchange for a like number of shares of Utah Ophir Mines Co. on a share-for-share basis plus one cent per share to be paid Commonwealth by Utah Ophir stockholders accepting the offer. **Underwriting**—None. **Proceeds** — For exploration and development work. **Business**—Mining.

Consolidated Edison Co. of N. Y., Inc. (6/9)
March 1 filed $57,382,600 of 3% convertible debentures, due 1963. Convertible into common stock at $25. **Offering**—Common stockholders of record May 20 are given right to subscribe for debentures in ratio of $5 of debentures for each share held. Rights expire June 8. **Underwriters** — Unsubscribed debentures underwritten by Halsey, Stuart & Co. Inc. and associates. The issue was awarded May 18, the underwriters paying $1,000 the underwriting privilege. **Proceeds**—To redeem 273,566 shares of outstanding $5 cumulative preferred stock and to reimburse treasury for expansion expenditures, &c.

Consolidated Vultee Aircraft Corp.
May 5 filed 1,159,849 shares ($1 par) common stock. **Offering**—Stockholders of record May 28 are given the right under a firm subscription to subscribe for the stock at rate of one new share for each share held at $9 per share. Rights expire June 14. In addition stockholders will be given the right to make contingent subscriptions for any shares not subscribed for by exercise of firm subscription, subject to allotment. Atlas Corp., holder of 11.4% of outstanding consolidated stock, will exercise its subscription rights to purchase enough stock to assure Consolidated a return of $7,000,000 from the stock offering. **Underwriting**—None. **Proceeds**—Added to general funds for manufacture of commercial transport planes.

Consumers Cooperative Assoc., Kansas City, Missouri
Oct. 16 filed $1,000,000 4% non-cumulative common stock ($25 par); $4,000,000 of 3½% certificates of indebtedness cumulative; and $1,000,000 of 1½% loan certificates cumulative. No underwriting. **Offering**—To the public. Common may be bought only by patrons and members. **Price**—At face amount. **Proceeds**—For acquisition of additional office and plant facilities.

Consumers Power Co., Jackson, Mich.
May 18 filed 200,000 shares of cumulative (no par) preferred stock. **Underwriters** — To be determined under competitive bidding. Probable bidders: Harriman Ripley & Co. and The First Boston Corp. (jointly); Morgan Stanley & Co.; White, Weld & Co. and Shields & Co. (jointly). **Proceeds**—To acquire property, construct and expand facilities.

• Continental Engineering Co., Carrizozo, N. Mex.
May 24 (letter of notification) 100,000 shares common (par 50c). **Price**—50c per share. No underwriters. To develop a mining prospect.

• Cove Mining Co., Boise, Idaho
May 27 (letter of notification) 250,000 shares common stock (10c par). No underwriting. For mining operations.

Dayton Consolidated Mines Co., Virginia City, Nevada
May 14 (letter of notification) $100,000 first lien sinking fund convertible 5% bonds due 1953 and 300,000 common shares reserved for conversion of bonds. **Price**—$1,000 per bond with 1,000 common shares. **Underwriter**—S. K. Cunningham & Co., Pittsburgh. To receive current obligations, working capital, etc.

Dixie Fasteners, Inc., Chattanooga, Tenn.
April 14 (letter of notification) 75,000 shares of class B common stock (no par) of which 45,000 will be offered to the public at $1 each. For additional working capital, machinery and equipment.

Equitable Gas Co., Pittsburgh, Pa. (6/8)
May 6 filed $14,000,000 first mortgage bonds, due 1973. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Harriman Ripley & Co.; White, Weld & Co. **Proceeds**—$14,000,000 of proceeds, plus 563,000 shares of new common stock, will be delivered to the Philadelphia Co. in exchange for natural gas properties now under lease, outstanding capital stock of Equitable, notes and other claims owed to the Philadelphia Co. and to the Pittsburgh and West Virginia Gas Co. Expected about June 8.

• Eureka, Inc., Central City, Colo.
May 28 (letter of notification) 100,000 shares of capital stock (par $1). Price, par. No underwriter. For mining operations.

• First Thrift Investors, Los Angeles, Calif.
May 28 (letter of notification) 10,000 shares ($10 par) preferred stock. **Price**—$10 per share. No underwriter. To purchase shares of the common capital stock of the First Thrift of Los Angeles at $150 per share.

Fission Mines Ltd., Toronto, Canada
April 16 filed 200,000 shares of treasury stock. **Underwriter**—Mark Daniels & Co., Toronto. **Price**—$1 a share. **Proceeds**—For mining and business costs.

Fitzsimmons Stores, Ltd., Los Angeles, Calif.
Feb. 2 filed 10,000 shares of 6% cumulative first preferred stock ($100 par). **Underwriting**—Officers, directors and employees of the company will offer the stock to friends and associates. **Price**—$100 per share. **Proceeds**—To retire 7% preferred stock. Business: "Super Markets" in Los Angeles, Riverside, Colton and San Bernardino County.

• Fleet Oil Corp., Ada, Okla. (6/15)
May, 1948 (letter of notification) 296,000 shares of common stock (par 5c).) **Underwriter** — Aetna Securities Corp., New York. **Price**—$1 per share. Drilling and equipping additional oil wells, development of properties and working capital.

Florida Power & Light Co. (6/8)
May 6 filed $11,000,000 first mortgage bonds, due 1978. **Underwriters**—Name to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harriman Ripley & Co.; Lehman Brothers; Drexel & Co. **Proceeds**—To pay off $4,000,000 in indebtedness owing to the Central Hanover Bank & Trust Co., New York, and to meet construction costs. **Bids**—Bids for purchase of bonds will be received by the company at Room 2033, No. 2 Rector St., New York, up to 12 noon (EDT), on June 8.

NEW ISSUE CALENDAR

June 8, 1948

Equitable Gas Co.________Bonds
Florida Power & Light Corp., Noon (EDT)__Bonds
Interstate Telephone Co.________Preferred
Kansas City Southern Ry., Noon (EDT)_____Bonds

June 9, 1948

Consolidated Edison Co. of New York, Inc.__Debs.
Pennsylvania RR., Noon (EDT)____Equip. Tr. Ctfs.

June 10, 1948

Chicago Rock Island & Pacific RR., 11:30 a.m. (CDT)________Equip. Trust Ctfs.

June 14, 1948

Kansas City Power & Light Co.____Bonds and Pfd.
Montana-Dakota Utilities Co.________Common

June 15, 1948

Fleet Oil Corp.________Common
Chesapeake & Ohio Ry., Noon (EDT)__Eq. Tr. Ctfs.

June 16, 1948

Beneficial Industrial Loan Corp.________Preferred
Kerr McGee Oil Industries, Inc.________Common

June 21, 1948

Southern Natural Gas Co.________Bonds

June 22, 1948

Phila. Baltimore & Washington RR.________Bonds

Flotill Products, Inc., Stockton, Calif.
March 6 filed 385,000 shares of 60 cent convertible preferred stock (par $5) and 325,000 shares of common stock (par $1). **Underwriter** — Floyd D. Cerf Co., Chicago. **Price**—preferred $10; common $6. **Proceeds** — Stockholders will sell 260,000 preferred shares and 250,000 common shares and company 125,000 preferred shares and 75,000 common shares. Company's proceeds will be used for general corporate purposes. Effective May 5.

Fraser Products Co., Detroit, Mich.
Oct. 21 filed 100,000 shares ($1 par) common. **Underwriters** — Campbell, McCarty & Co., and Keane & Co., both Detroit. **Price**—$5.25 per share. **Proceeds**—The shares are being sold by 14 stockholders who will receive proceeds. Registration statement effective Jan. 16.

● **Golden Leaf, Inc., Aspen, Colo.**
May 26 (letter of notification) 280 shares of common stock. **Price**—$100 per share. No underwriter. To construct and operate a tavern.

● **Gray Manufacturing Co., New York**
May 27 (letter of notification) 2,000 shares of capital stock ($5 par). **Price**—$13.75 per share. **Underwriters** —Vernon L. Haag and John W. Wibel (1,000 shares each).

● **Hamilton Funds, Inc., Denver, Colo.**
June 1 filed 2,000,000 shares of H-C7 High Grade Common stock fund. **Underwriter and Investment Advisor** —Hamilton Management Corp., Denver. **Price** — Net asset value of class of shares plus a maximum distribution charge of 8½% of the offering price (or about 9.12% of the net asset value). **Business**—Investment fund.

● **Hedgecock Brick Co., Inc., Martinsville, Va.**
May 28 (letter of notification $200,000 common stock (par $5). No underwriter. For construction.

● **Houston Coal Mining Co., Anchorage, Alaska**
May 21 (letter of notification) 100,000 shares of nonassessable common. **Price**—$1 per share. **Underwriters** —George Tucker, Ralph Peterson and Rosetta Tucker. For working capital to get strip coal properties in operation.

Idaho-Montana Pulp & Paper Co., Polson, Mont.
May 17 filed 100,000 shares of 4% cumulative preferred stock ($100 par) and 500,000 shares ($10 par) common stock. **Underwriter** — Tom G. Taylor & Co., Missoula, Mont. **Price**—$300 per unit, consisting of two shares of preferred and 10 shares of common stock. **Proceeds**—To erect and operate a bleached sulphate pulp mill with a 200-ton per day capacity.

International Asbestos Co., Ltd., Sherbrooke, Quebec
Jan. 30 filed 1,500,000 shares ($1 par) common stock. **Underwriter**—Paul E. Frechette, Hartford, Conn., is the U. S. authorized agent and principal underwriter. **Price** —$1 each. **Proceeds**—To construct milling plant and purchase equipment.

Interstate Telephone Co. (6/8)
May 20 filed 9,238 shares of cumulative preferred stock (no par). **Underwriters** — Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., New York; Murphy Favre, Inc. and Paine-Rice & Co., Spokane. Price, by amendment. **Proceeds**—To pay a demand note to General Telephone Corp. (parent); repay a $100,000 bank loan, and reimburse the treasury for capital expenditures.

● **Joy Manufacturing Co.**
June 1 filed 51,500 shares of common stock (par $1), of which 36,200 shares are being sold by Adams Express Co. and 15,300 shares by American International Corp. **Underwriters**—Hallgarten & Co. and R. W. Pressprich & Co.

Kansas City (Mo.) Power & Light Co. (6/14)
May 14 filed $12,000,000 first mortgage bonds due 1978 and 80,000 shares of cumulative preferred stock (par $100). **Underwriters** — Names will be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. (bonds only); The First Boston Corp.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Lehman Brothers; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Shields & Co., White, Weld & Co. and Central Republic Co. (jointly). **Proceeds** — To acquire and construct additional property and retire $3,860,000 of 1¾% notes issued for interim financing. Bids are expected to be opened June 14.

● **Keller & Co., Inc., Boston, Mass.**
May 28 (letter of notification) 9,300 shares of cumulative participating preferred stock and $200,000 of 20-year 5½% debentures, due 1968. **Underwriter**—General Stock & Bond Corp. For working capital and other corporate purposes.

● **Kerr-McGee Oil Industries, Inc., Oklahoma City, Okla. (6/16-17)**
May 28 filed 300,000 shares ($1 par) common stock, of which 200,000 shares is in behalf of the company and 100,000 shares for selling stockholders. **Underwriters**—Lehman Brothers and Straus & Blosser. **Proceeds**—Company will use part of proceeds to retire its secured short term notes and remainder will be used to finance business expansion, etc.

Kool-Aid Bottling Co., Inc. of Calif., Sheboygan, Wisconsin
March 22 filed 1,500,000 shares ($1 par) common stock. **Underwriter**—Heronymus & Co., Sheboygan, Wis. **Proceeds**—To open and equip bottling plants in California cities. **Price**—$1 per share.

Lamston (M. H.), Inc., New York
May 17 (letter of notification) 7,060 shares of 6% cumulative preferred stock (par $25) and 7,060 common stock purchase warrants. **Price**—$25 per unit of one preferred share and one warrant. **Underwriters**—Childs, Jeffries & Thorndike, Inc., Aetna Securities Corp. and Syle & Co., New York. Statement may be withdrawn.

Langsenkamp (F. H.) Co., Indianapolis, Ind.
May 19 (letter of notification) $250,000 of 5% sinking fund debentures, due 1950. **Price**—$100. **Underwriter**—City Securities Corp., Indianapolis. To pay bank loans and increase working capital.

Legend Gold Mines, Ltd., Toronto, Canada
June 27, 1947, filed 300,000 shares ($1 par) common stock. **Underwriting** — To be supplied by amendment. **Price**—50 cents a share. **Proceeds**—To develop mining properties.

● **Leviathan Mining Associates, Inc., Boise, Idaho**
May 24 (letter of notification) 2,000,000 shares of common capital stock. **Price**—5 cents per share. No underwriter. For mining operations.

Lewis (John H.) Fund, Inc., New York City
May 20 filed 200,000 shares of capital stock. **Management** Lewis Management Co., New York. **Price**—$5 for each of the first 20,000 shares; net asset value plus 2½% for the remainder. **Proceeds** — To begin business, when net worth is $100,000.

Lonsdale Co., Providence, R. I.
April 26 filed 1,132,631 shares ($1 par) common stock. **Offering**—Offered to holders of common stock of record May 24 of Textron, Inc., at rate of one new share for each one held. Rights expire 3 p.m. (EDT) June 10. An additional 100,000 shares are offered to officers, certain directors and employees of the newly organized company. **Underwriters** — For unsubscribed shares Blair & Co., Inc., and Maxwell, Marshall & Co., New York. **Price**— $3 per share. **Proceeds**—To be applied to the purchase price for an existing textile firm known as Lonsdale Co., a Textron subsidiary.

● **Lucky Park Mines, Inc., Seattle, Wash.**
May 14 (letter of notification) 329,400 shares. **Price**— 10c per share. No underwriter. For mining operations.

Mid-Continent Airlines, Inc., Kansas City, Mo.
May 19 (letter of notification) 6,000 shares of common stock ($1 par). **Price**—Market ($8 to $9). **Underwriters** —Kitchen & Murphy, Chicago. For working capital.

● **Miller Machinery Co., Missoula, Mont.**
May 17 (letter of notification) 250 shares of 6% preferred stock ($100 par). Price, par. No underwriter. To increase working capital.

Montana-Dakota Utilities Co. (6/14-18)
May 18 filed 150,000 shares ($5 par) common stock. **Underwriters**—Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane, New York. Price, by amendment. **Proceeds**—To be used in expanding electric and gas utility property.

● **Nevada Exploration Co., Las Vegas, Nev.**
May 25 (letter of notification) 65,000 shares common stock ($1 par). **Price**—$1 per share. No underwriter. For testing and drilling oil wells.

● **New Era Homes, Inc., Las Vegas, Nev.**
May 24 (letter of notification) 300,000 shares capital stock (par $1). **Price**—$1 per share. No underwriter. For construction.

● **New York Telephone Co.**
May 28 filed $90,000,000 refunding bonds series F, due July 1, 1981. **Underwriters**—To be sold through competitive bidding. Probable bidders: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc. **Proceeds**—To reimburse the treasury for capital expenditures already made, to retire bank loans incurred in plant expansion and to finance future construction.

North Canadian Oils Limited, Calgary, Alberta
March 11 filed 903,572 shares (no par) common stock. **Price**—70 cents each. **Underwriter**—F. H. Winter & Co., New York. **Proceeds**—875,000 shares being sold by company and 28,572 by stockholders. Proceeds for purchase of property and drilling.

North Inca Gold Mines, Ltd.
March 10 filed 666,667 shares of common stock (par $1). **Underwriter**—Transamerica Mining Co., Ltd., Toronto. Proceeds for exploration and development.

Nuera Products Co., Denver, Colo.
May 10 filed 100,000 shares ($10 par) preferred stock, and 20,000 shares ($1 par) common stock. **Underwriting**—None named. **Price**—10 shares of preferred and two of common will be sold for $100. **Proceeds**—To build, furnish and tool a factory and apply close to $500,000 to working capital.

● **Pacific Telegraph & Telephone Co., San Fran.**
May 28 filed 601,262 shares ($100 par) common stock. Underwriting, none. **Offering**—To be offered for subscription at $100 per share by stockholders on the basis of one new share for each six shares of preferred or common held. **Proceeds**—To reimburse company's treasury for additions, etc.

Pacific Western Oil Corp., Los Angeles
May 21 filed 450,227 shares ($10 par) capital stock. **Underwriting**—None. **Offering**—To be offered by the owner, J. Paul Getty, President of the Company, from time to time on the floor of the New York Stock Exchange, or "to specific persons, firms or corporations," in sales outside the Exchange.

Penn Allen Broadcasting Co., Allentown, Pa.
May 13 (letter of notification) 12,000 shares of class A common (par $10) and 2,000 shares of common stock (par $10). **Underwriter**—Converse, Pokorny & Co., Allentown, Pa. **Offering**—In units of six class A shares and one common, at $70 per unit. Building television station, etc.

● **Potomac Loans, Inc., Arlington, Va.**
May 24 (letter of notification) $250,000 6% registered debenture bonds. Price, par. **Underwriter**—Carl J. Bliedung.

Powder River Oil Co., Denver, Colo.
May 11 (letter of notification) 400,000 shares (10¢ par) common stock. **Price**—25 cents. **Underwriter** — R. L. Hughes and Co., Denver. For working capital.

Reiter-Foster Oil Corp., New York
Jan. 16 (letter of notification) 180,000 shares (50c par) common stock. **Price**—80 cents. **Underwriter**—Frank W. Bennett & Co. For working capital.

Sandy Hill Iron & Brass Works, Hudson Falls, New York
April 12 (letter of notification) 59,000 shares class A participating preferred stock (par $4). **Price**—$5 per share. **Underwriter**—John L. Nolan, Inc., Glens Falls, N. Y. Working capital.

Segal Lock & Hardware Co., Inc.
March 24 filed $2,000,000 15-year 6% convertible sinking fund debentures, due 1963. **Underwriter**—Floyd D. Cerf Co., Inc. **Price**—95 (flat). **Offering**—Offered to stockholders of record May 4 on basis of one $100 debenture for each 100 shares held. Rights expire May 28. **Proceeds**—For repayment of two notes and general corporate purposes.

Sierra Pacific Power Co.
March 26 filed $3,500,000 first mortgage bonds, due 1978. **Underwriters**—To be determined by competitive bidding. Probable bidders include: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Stone & Webster Securities Corp. **Proceeds**—Construction costs and the payment of $650,000 to National Shawmut Bank of Boston for construction notes. On May 15 company asked California P. U. Commission for a 60-day extension of time in which to issue the securities due to a possible revision of the amount of bonds to be issued.

Southern Natural Gas Co. (6/21)
May 19 filed $28,000,000 first mortgage pipe line sinking fund bonds. Due 1968. **Underwriting**—Names to be determined by competitive bidding. Probable bidders include: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Halsey, Stuart & Co. Inc.; The First Boston Corp. **Proceeds**—$14,000,000 will be applied to the payment (exclusive of accrued interest) of 1¾% notes due 1956; balance for construction purposes. Expected about June 21.

Squankum Feed & Supply Co., Inc. Farmingdale, N. J.
May 24 (letter of notification) 1,000 shares $5.50 cumulative preferred stock (par $100). Price, par. **Underwriter** —Fidelity Securities & Investment Co., Inc., Asbury Park, N. J. Working capital.

Standard Oil Co. (New Jersey)
May 11 filed 1,265,255 shares ($25 par) capital stock. **Offering**—To be offered holders of no par value common stock of International Petroleum Co., Ltd., at the rate of three Standard shares for 20 International shares. **Underwriting**—None. **Purpose**—To gain control of International, a Canadian corporation.

Standard Tube Co., Detroit
May 14 filed 136,667 shares of Class B common stock (par $1). **Underwriting**—None. **Offering**—Offered to Class B common shareholders of record June 10, in the ratio of one share of new stock for each three shares held at $3 per share. Rights expire 3 p.m., June 25. Fort Industry Co., owner of 122,757 shares of Standard Tube stock, expects to buy $250,000 of the new stock, with the purchase price to be credited against the $250,000 loan previously made by Fort Industry to Standard.

Steak 'n Shake, Inc., Bloomington, Ill.
Feb. 2 filed 40,000 shares of 50c cumulative convertible participating preferred stock, ($1 par) and 160,000 shares (50c par) common stock, of which 40,000 will be sold and the remainder reserved for conversion. **Underwriter**—White & Co., St. Louis, Mo. **Price**—$8 for the preferred stock and $2.50 for the common. This stock

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is being offered by stockholders who are members of the Belt family.

● **Sterilseat Corp. of America, Philadelphia**
May 26 (letter of notification) 110,000 shares of common stock (par 15c). **Price**—$1.50 per share. **Underwriter**—Wm. O. Duntze, 60 Wall St., New York. The underwriter has a firm obligation to purchase 8,888 shares and an option to purchase 101,112 shares. General corporate purposes.

● **Sun Oil Co., Philadelphia**
May 28 filed a stock purchase plan for its employees and for employees of its subsidiaries. Employees of one year or more service are eligible to participate in the plan, effective July 1, in which 10,000 memberships will be offered.

Tabor Lake Gold Mines, Ltd., Toronto, Canada
April 2 filed 300,000 shares (par $1) preferred stock. **Underwriter**—Mark Daniels & Co., Toronto, Canada. **Price**—60 cents a share. **Proceeds**—For mine developments.

● **Triplex Corp. of America, Chicago, Ill.**
May 21 (letter of notification) 15,000 shares ($10 par) cumulative 5% preferred stock and 7,500 shares of common stock. **Offering**—To be offered in units of one share preferred stock and ½ share of common stock at $10 per unit. No underwriter. To pay obligations of company and for expansion of sales.

Uintah Minerals Corp., Denver
May 5 (letter of notification) 50,000 shares of non-assessable common stock (par 10¢) half at 25 cents and half at 40 cents. **Underwriter**—Forbes and Co., Denver. To drill mining claims.

United Rayon Corp., New York City
March 29 filed 9,950 shares (no par) common stock. Price—$1,000 each. Each share is to be accompanied by a "production warrant" permitting the holder to buy a proportionate share of the company's output. Underwriting—None. **Proceeds—To provide capital for the purchase and operation of a plant with an annual productive capacity of 4,000,000 pounds of viscose filament rayon and 8,000,000 pounds of viscose staple fiber.**

● **U. S. Rubber Reclaiming Co., Inc., New York**
May 25 (letter of notification) $300,000 4½% subordinate convertible debentures, due June 1, 1962. Price, par. **Underwriter**—Ladenburg, Thalmann & Co. **Offering**—Offered for subscription by stockholders at par. Rights expire June 22. Complete new plant facilities.

Upson Co., Lockport, N. Y.
May 24 (letter of notification) 250 common shares (par $10). **Price**—$16.50 per share. **Underwriter**—J. W. Gould & Co., New York. Proceeds to selling stockholder.

Western States Oil Co., Phoenix, Ariz.
April 8 (letter of notification) 300,000 shares of common stock (par $1). **Price**—$1 per share. **Underwriter**—Arizona Securities Co., Phoenix, Ariz. To buy oil leases and equipment for drilling.

Wichita (Kan.) Building Material Co., Inc.
May 19 (letter of notification) 1,050 shares of 6% preferred stock ($100 par) to be offered at par, and 2,605 shares ($20 par) common stock to be offered at $25. **Underwriter**—Prescott, Wright, Snider Co., Kansas City, Mo. For working capital.

● **Workers Finance Co., Newark, N. J.**
June 1 (letter of notification) $225,000 6% cumulative deferred debentures, due in 20 years. **Price**—$100 per unit. Underwriter, none. Obtain funds to make small loans of $300 or less.

● **Zonolite Co., Chicago, Ill.**
May 24 (letter of notification) 22,000 shares common stock (par $1). **Underwriter**—Wm. C. Roney & Co. Price by amendment.

Prospective Offerings

● **California Electric Power Co.**
Company has asked the California P. U. Commission for exemption from competitive bidding of the proposed sale of 75,000 shares of convertible preference stock (par $20). Probable underwriters, if exemption is granted: William R. Staats Co.; Pacific Co. of California; Walston, Hoffman & Goodwin.

● **Central Maine Power Co.**
May 28 William F. Wyman, President, stated company will sell a new bond issue of approximately $5,000,000 before July 31. The issue will be offered by negotiated sale.

● **Chesapeake & Ohio Ry. (6/15)**
The company will receive bids until noon (EDT) June 15 at 3400 Terminal Tower, Cleveland, for the sale of $3,500,000 of equipment trust certificates. The certificates will mature from July 1, 1949 to July 1, 1958. Probable bidders include: Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler.

● **Chicago & North Western Ry.**
May 28 company requested approval from the ICC of $5,340,000 equipment trust certificates, its first equipment trust of 1948. Proceeds will be used to meet 80% of the cost of 1,000 box cars and 500 hopper cars. Probable bidders: Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler.

Chicago Rock Island & Pacific RR. (6/10)
Bids for the purchase of $4,590,000 equipment trust certificates, dated July 1, 1948, due semi-annually Jan. 1, 1949-July 1, 1963, will be received up to 11:30 a.m. (CDT) June 10, at office of company, Room 1136, La Salle Street Station, Chicago. Proceeds will be used in connection with the purchase of equipment to cost $5,733,220. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Harriman Ripley & Co., and Lehman Brothers (jointly).

● **Kansas City Southern Ry. (6/8)**
Bids for purchase of $14,000,000 first mortgage bonds, series B, due June 1, 1968 will be received by company at 25 Broad St., New York, up to noon (EDT) June 8. Probable bidders: Kuhn, Loeb & Co.; Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co.; Harriman Ripley & Co. and Glore, Forgan & Co. (jointly).

Pennsylvania RR. (6/9)
Company will receive bids up to noon (EDT) June 9 at office of Geo. H. Pabst, Vice-President, Room 1811 Broad Street Station, Philadelphia, for the purchase of $11,055,000 equipment trust certificates, series U, to be dated July 1, 1948, and to mature $737,000 annually July 1, 1949-1963. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc. and Lehman Bros. (jointly).

● **Philadelphia Baltimore & Washington RR. (6/22)**
May 29 it was reported that this company, a subsidiary of Pennsylvania RR. probably will send out invitations on June 9 for bids to be received about June 22 for $17,507,000 in bonds.

Observations

(Continued from page 5)

political sabotaging was intensified to the n-th degree in an election campaign year, extending even to the nation's delicate credit and appropriation mechanism, is well-documented by Mr. Lyons. Can our democracy now safely feel that we have experienced the permanent end of such politics—in either kind or degree?

Political Publicity

Another corollary of the history of our Great Depression is the revelation of disadvantages suffered even in the domestic sphere occasioned by the "open diplomacy with no holds barred" rules in lieu of the secrecy in which dictatorship governments clothe their operations.

The necessity for Congressional leaders keeping some State matters in confidence was epitomized in the negotiations attending Mr. Hoover's unexceptionably statesmanlike proposal for a year's moratorium on all inter-government debts. That vital apple-cart was all but upset by the violation of sworn secrecy by a Congressman whose cooperation had been required.

A multitude of events clearly itemized by Mr. Lyons show how statesmanlike measures crying to be put into effect were obstructed by the self-interest and strategy of politics. The prime example of this was the willful if not criminal refusal of Mr. Roosevelt, when President-elect from November to March, to give to the country in its hour of crisis even the normal assurances expected from an incoming Chief Executive, irrespective of whether Mr. Hoover did or did not have the depression licked from June or November 1932 on. Surely the incoming leader's long-continued and stubbornly clung-to "that's-not-my-baby" attitude, and his alternative refusal to make any replies to his embattled President, were inexcusable. Let us pray that such "strategic" prostitution of the privileges and responsibilities of our democracy may not have set a precedent! Surely such anti-social behavior was at least accentuated by the weapon of publicity always available, and used to the full by the Michelsons and their political bosses. I of course have no doubt whatever about the relative advantages of democracy over dictatorship, but I also have no doubts over the dire necessity of self-disciplined abstention from political demagoguery as the price of its preservation.

Planning

Both the New Era of the 1920's and the Depression years of the 1930's furnish us with plenty of fruitful conclusions about planning. In a previous issue (May 13, 1948) this column showed how ever since credit management was initiated in 1913, the planners recurrently became completely misguided, with the public's blame as well as praise arising from conditions over which they had no control. Such misconceived "score-keeping" about the individual planners' ability was particularly rife during the Coolidge and Hoover regimes. H. Parker Willis used to relate how time and again in 1927 and 1928 President Coolidge turned a deaf and bored ear to the desperate pleading by bankers and Reserve System officials to take some remedial action against expanding credit and the speculation bubble being blown up by billions of brokers' loans. Yet the afternoon-nap-taking Coolidge went through his inflating term unscathed, saved only by sixth-sense Yankee horse-sense of choosing-not-to-run. Ironically, it was Hoover, subsequently castigated for the holocaustic after-effects, who had inveighed most heavily against the preceding inflation. For example, already in 1925 Hoover, as Secretary of Commerce, is quoted by Mr. Lyons as standing up against such leaders as Benjamin Strong, Montagu Norman and Hjalmar Schacht in the following manner to Federal Reserve Board member Crissinger: "As to the effects of these Reserve policies upon the United States, it means inflation with inevitable collapse which will bring the greatest calamities upon our farmers, our workers, and legitimate business."

Starvation and Unemployment Fictions

But probably the most difficult sphere for keeping the planning score straight is in unemployment and relief. Mr. Lyons demonstrates again and again how exaggerated, if not made completely out of whole cloth, were the accounts of starvation under Hoover; and how unemployment actually increased, rather than decreased, during the long years of New Deal spending. As Mr. Lyons tellingly asks, if starvation had been existent, why was it not listed by the Democrats along with their other charges in the 1932 election campaign?

The difficulty of efficient management in a democracy is probably nowhere more clearly illustrated than in the field of relief spending. For there the collision with politics is insuperable and constant. Mr. Lyons convincingly shows how Mr. Hoover's fight to keep the necessary spending on a decentralized state-wide basis constantly ran headlong into the demands of the politically-motivated to have the appropriating done in Washington.

The statesmanlike fight to preserve the Treasury from political raiding was completely and cynically abandoned with Mr. Hoover's departure from the Presidency. We have sometimes been reminded of Democrats' campaign pledges in their 1932 platform when, after berating Republican extravagance, subsidies, unbalanced budgets and high taxes, they saw fit to stake their own claim on governmental economizing. The most significant point of the later quick reversals from their pledges is not a sensational evidencing of political dishonesty, or the disillusioning or even bribing of the citizenry; but surely the epitomized demonstration of the impossibility of consistent and honestly-stated economic planning in the midst of the brawling of domestic politics.

We may not see another exhibition of New Dealish Treasury raiding for many years to come. But can we possibly feel with any confidence that, in the absence of the automatic check from required budget-balancing or gold-coverage, our Treasury will be used to just the right degree and not raided under stress? Whoever reads the history of the damning of Hoover and worshipping of Roosevelt will find such faith extremely difficult.

The Tragedy of Baby-Kissing Inability

The characteristic public relations foible of the insatiable glamor-hungry American people is also strikingly exemplified in their attitude toward Hoover. A country that swarms to Frank Sinatra's airing of views on international affairs probably prefers Babe Ruth to a Herbert Hoover or Robert Taft as its President. To such a people no amount of wholesomeness, integrity and ability can fill the void created by a personality lacking flamboyance and melodrama. A man completely lacking the talent for public relations, without even the willingness to kiss babies, Hoover just plodded along. When contrasted with a successor who was the greatest political showman of our time, who actually made our Depression seem like great fun, of course it was easy to portray Hoover as the symbol of bleak disaster.

Unfortunately, "selling ability" is just as necessary to a successful American politician today as it ever was. For every voter who has knowledge of Senator Taft's abilities or views, there are ten others who know of his lack of political sex appeal as well as the measurements of Governor Dewey's moustache. Perhaps Mr. Taft is expendable, but far more so, and dangerous to the future of the Republic, is the people's proclivity for chasing false gods!

Morgan Stanley Offers N. Amer. Aviation Stk.

Morgan Stanley & Co. heads a nationwide group of underwriters that is offering publicly today (June 3) 1,000,061 shares of North American Aviation, Inc., capital stock (par $1) at $12.75 a share. The stock represents all of the shares of North American Aviation capital stock owned by General Motors Corp. The Aviation company will receive no part of the proceeds from the sale.

The 1,000,061 shares, which amount to 29.1% of the 3,435,033 outstanding North American Aviation capital shares, were acquired by General Motors in 1933 and 1935. The 3,435,033 capital shares represent the aviation company's only outstanding capitalization, other than a $2,500,000 short-term bank loan.

North American Aviation, incorporated in Delaware in 1928, is engaged principally in the design, manufacture and sale of military airplanes and airplane parts. The Company's business is virtually all derived from contracts with the armed services of the United States Government. This subjects the company to changing government policies, limitations on profits and other risks relating to this kind of business.

An extensive design and development program has been maintained by the company. Among the military airplanes developed by the company late in the war or during the postwar period are the P-82 Twin Mustang fighter, the FJ-1 Fury jet fighter, the B-45 jet bomber, the P-86 jet fighter, and the XSN2J-1 trainer. In addition to the experimental contracts under which the airplanes were developed, the company has received production contracts on the foregoing fighter and bomber types.

The Company operates three plants located at Los Angeles, Long Beach and Downey, Calif., almost entirely on leased land. These plants contain approximately 3,712,000 square feet of floor space, of which approximately two-thirds are leased from others.

Our Reporter's Report

Underwriters and distributors are in a buoyant frame of mind these days confident that the securities business at last is approaching the stage where a "business man's investment market" is a real prospect.

At the moment the market, admittedly, is one given over chiefly to professional or institutional investors interests primarily in gilt-edge securities as double and triple A bonds. But the hope is that as the seasoned market on the Stock Exchange broadens out the way will be opened for greater activity in new equities such as preferred stocks and BAA grade bonds.

With the investment business proceeding in what the majority describe as the right direction, the silent prayer seems to be that borrowers and bankers will not feel the urge to rush things to the detriment of broad situation.

At the moment, it is noted that the so-called professional buyers remain decidedly choosey and underwriters have come to realize repeatedly that when such interests say they won't break a 3% basis, that is exactly what they mean.

But the more hopeful regard this as a healthy condition and one which should serve as an influence against the tendency on the part of bankers to overreach for new issues as they come up for bids.

Businessman's Market

The tendency now is to look for a revival of financing by corporations via the preferred stock route. A number of such projects were in the works some months back when the market came a cropper and then stalemated for a long spell.

But currently things are looking up and it is now the growing belief that the individual investor will be interested in preferred stocks of known companies provided the yield and other terms are right.

The sale of 35,000 shares of preferred stock of New York State Electric & Gas Corp., this week was a case in point. Bankers paid the company 100.5399 for a $4.50 dividend rate and on projected reoffering on a 4.358% basis, it was reported that virtually the entire offering was taken up by two institutions.

Next Week's Schedule

Once the Illinois Bell Telephone Co.'s $60,000,000 of series B first mortgage bonds, sold in competitive bidding yesterday are out of the way, underwriters face a comparatively quiet spell for a week or so.

Next week brings only three sizeable issues up for bids, one a utility issue and the other two an issue of first mortgage rail bonds and a large equipment trust loan.

On Tuesday, Florida Power & Light Co. is slated to open bids for $11,000,000 of first mortgage bonds, due 1978. The same day, Kansas City Southern Railway Co. will sell to bankers $14,000,000 of new first mortgage bonds to refinance a promissory note of Louisiana & Arkansas Ry. Co., for the same amount.

The following day, Wednesday, Pennsylvania Railroad will market an issue of $11,000,000, of equipment trust serial notes.

Standard Oil Co. (N. J.)

Although it contemplates expenditures exceeding a billion dollars for expansion this year and next, Standard Oil Co. (N. J.) has been definitely removed as a prospect for new financing in the near future.

F. W. Abrams, board chairman, outlined expansion plans to shareholders at the annual meeting on Tuesday and cited the tremendous outlay contemplated.

But, he stated, the company "is not, at present, planning to borrow any money or market additional stock."

Dealer-Broker Recommendations

(Continued from page 8)

Co., 120 South La Salle Street, Chicago 3, Ill.

El Paso Electric—Data—Buckley Securities Corp., 1420 Walnut Street, Philadelphia 2, Pa.

Also available are data on **Portsmouth Steel Corp., Maryland Dry Dock,** and **Seminole Oil & Gas.**

Empire District Electric Co.—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Also available are circulars on **Kansas City Southern Railway, Murray Corp. of America, Seaboard Oil Co. of Delaware, Studebaker Corp., Allied Stores Corp., Pure Oil Company, Radio Corporation of America, Southern Production Company, Inc., Federal Water & Gas Corporation, Spiegel, Inc.,** and **United Electric Coal Companies.**

Federal Enterprises, Inc. — Outlook—Kneeland & Co., Board of Trade Building, Chicago 4, Ill.

Garlock Packing Co. — Memorandum—George D. B. Bonbright & Co., Powers Building, Rochester, N. Y.

Also available are memoranda on **Haloid Co., Stromberg-Carlson Co., Taylor Instrument Companies,** and **Todd Co.**

Houdry Process Corp.—Circular—George Birkins Company, 40 Exchange Place, New York 5, N. Y.

International Furniture Co.—Memorandum—Straus & Blosser, 135 South La Salle Street, Chicago 3, Ill.

Keyes Fibre — Description—A. G. Woglom & Co., Inc., 49 Federal Street, Boston 10, Mass.

Also available is descriptive material on **West Point Manufacturing Co.** and **Moxie.**

Kingsburg Cotton Oil Company—Analysis— Bennett, Spanier & Co., 105 South La Salle Street, Chicago 3, Ill.

Maryland Casualty Company—Analysis—First Boston Corporation, 100 Broadway, New York 5, N. Y.

Also available is an analysis of **Irving Trust Company.**

Metal Forming Corporation — Current bulletin — First Colony Corporation, 52 Wall Street, New York 5, N. Y.

Oil Exploration Co. — Data — Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Palace Corporation—Memorandum—Smith, Hague & Co., Penobscot Building, Detroit 26, Mich.

Parker Appliance Company — circular — du Pont, Homsey Co., 31 Milk Street, Boston 9, Mass.

Portsmouth Steel Corporation —Data—Buckley Securities Corporation, 1420 Walnut Street, Philadelphia 2, Pa.

Also available are data on **Gruen Watch Co., Central Illinois Public Service Co.,** and **Seminole Oil & Gas.**

Public National Bank & Trust Co.—Analysis—C. E. Unterberg & Co., 61 Broadway, New York 6 N. Y.

Also available is an analysis of **Miles Shoes, Inc.**

Riley Stoker Corporation—Discussion—May & Gannon, Inc., 161 Devonshire Street, Boston 10, Mass.

Rockwell Manufacturing Company — Memorandum — John B. Dunbar & Co., 634 South Spring Street, Los Angeles 14, Calif.

Safety Car Heating & Lighting Co., Inc. — Leaflet of highlights—Fitzgerald & Co., Inc., 40 Wall Street, New York 5, N. Y.

Westgate-Greenland Oil Company—Statistical Memorandum—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

Also available are data on **Fleet Oil Corporation.**

Weyerhaeuser Timber Company —Analysis — Elworthy & Co., 111 Sutter Street, San Francisco 4, Calif.

Wichita River Oil Corporation —Data — Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

SITUATION WANTED

TRADER

Twenty-five years' experience trading corporation securities, desires new connection. Originates own situations. References. Box M 63, Commercial & Financial Chronicle, 25 Park Place, New York 8.

DIVIDEND NOTICES

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

New York, N. Y., May 27, 1948.

The Board of Directors has this day declared a dividend of Two Dollars and Fifty Cents ($2.50) per share, being Dividend No. 99 on the Preferred Capital Stock of this Company, payable August 2, 1948, out of undivided net profits for the year ending June 30, 1948, to holders of said Preferred Capital Stock registered on the books of the Company at the close of business June 29, 1948.

Dividend checks will be mailed to holders of Preferred Capital Stock who have filed suitable orders therefor at this office.

D. C. WILSON, Assistant Treasurer,
120 Broadway, New York 5, N. Y.

CANCO AMERICAN CAN COMPANY

PREFERRED STOCK

On May 25, 1948, a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable July 1, 1948, to Stockholders of record at the close of business June 17, 1948. Transfer Books will remain open. Checks will be mailed.

EDMUND HOFFMAN, *Secretary.*

AMERICAN LOCOMOTIVE COMPANY

30 Church Street Alco New York 8, N. Y.

PREFERRED DIVIDEND No. 160
COMMON DIVIDEND No. 92

Dividends of one dollar seventy five cents ($1.75) per share on the Preferred Stock and of thirty five cents (35¢) per share on the Common Stock of this Company have been declared payable July 1, 1948 to holders of record at the close of business on June 10, 1948. Transfer books will not be closed.

CARL A. SUNDBERG
Secretary

May 27, 1948

AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 169
Common Dividend No. 157

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending June 30, 1948, and a dividend of 40¢ per share on the Common Stock have been declared. Both dividends are payable July 1, 1948, to holders of record June 7, 1948. The stock transfer books will remain open.

W. F. COLCLOUGH, JR.
Secretary

May 26, 1948

CANADA DRY

DIVIDEND NOTICE

The Board of Directors of Canada Dry Ginger Ale, Incorporated, at a meeting thereof held on May 25, 1948 declared the regular quarterly dividend of $1.0625 per share on the $4.25 Cumulative Preferred Stock and a dividend of $0.15 per share on the Common Stock; both payable July 1, 1948 to stockholders of record at the close of business on June 15, 1948. Transfer books will not be closed. Checks will be mailed.

WM. J. WILLIAMS,
V. Pres. & Secretary

DIVIDEND NOTICES

ANACONDA COPPER MINING CO.
25 Broadway

New York 4, N. Y., May 27, 1948

DIVIDEND No. 160

The Board of Directors of the Anaconda Copper Mining Company has declared a dividend of Seventy-five Cents (75c) per share on its Capital Stock of the par value of $50 per share, payable June 29, 1948, to holders of such shares of record at the close of business at 3 o'clock P. M., on June 8, 1948.

C. EARLE MORAN, Secretary & Treasurer

J. I. Case Company
(Incorporated)

Racine, Wis., June 2, 1948.

A dividend of $1.75 per share upon the outstanding Preferred Stock of this Company has been declared payable July 1, 1948, and a dividend of 40c per share upon the outstanding $25 par value Common Stock of this Company has been declared payable July 1, 1948, to holders of record at the close of business June 12, 1948.

WM. B. PETERS, Secretary.

GUARANTY TRUST COMPANY OF NEW YORK

New York, June 2, 1948.

The Board of Directors has this day declared a quarterly dividend of Three Dollars ($3.) per share on the Capital Stock of this Company for the quarter ending June 30, 1948, payable on July 1, 1948, to stockholders of record at the close of business June 9, 1948.

MATTHEW T. MURRAY, Secretary.

C.I.T. FINANCIAL CORPORATION

Dividend on Common Stock

A quarterly dividend of 50 cents per share in cash has been declared on the Common Stock of C. I. T. FINANCIAL CORPORATION, payable July 1, 1948, to stockholders of record at the close of business June 10, 1948. The transfer books will not close. Checks will be mailed.

FRED W. HAUTAU, *Treasurer.*

May 27, 1948.

CHEMICALS
TEXTILES
PLASTICS

CELANESE
CORPORATION OF AMERICA
180 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

FIRST PREFERRED STOCK
$4.75 SERIES

The regular quarterly dividend for the current quarter of $1.18¾ per share, payable July 1, 1948 to holders of record at the close of business June 14, 1948.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable July 1, 1948 to holders of record at the close of business June 14, 1948.

COMMON STOCK

60 cents per share, payable June 30, 1948 to holders of record at the close of business June 14, 1948.

R. O. GILBERT
Secretary

June 1, 1948

DIVIDEND NOTICES

HOMESTAKE MINING COMPANY
DIVIDEND No. 868

The Board of Directors has declared dividend No. 868 of fifty cents ($.50) per share of $12.50 par value Capital Stock, payable June 18, 1948 to stockholders of record 3:00 o'clock P. M., June 8, 1948.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

JOHN W. HAMILTON, *Secretary.*

May 18, 1948

United States Plywood Corporation

Weldwood

For the quarter ended April 30, 1948, a cash dividend of 25c per share on the outstanding common stock of this corporation has been declared payable July 12, 1948, to stockholders of record at the close of business July 1, 1948.

SIMON OTTINGER, Secretary.

New York, N. Y., June 2, 1948

YALE

THE YALE & TOWNE MFG. CO.

On May 27, 1948, a dividend No. 237 of twenty-five cents (25c) per share was declared by the Board of Directors out of past earnings, payable July 1, 1948, to stockholders of record at the close of business June 10, 1948.

F. DUNNING
Executive Vice President and Secretary

LOEW'S INCORPORATED
"THEATRES EVERYWHERE"

May 26, 1948

THE Board of Directors has declared a quarterly dividend of 37½c per share on the outstanding Common Stock of the Company, payable on June 30th, 1948, to stockholders of record at the close of business on June 11th, 1948. Checks will be mailed.

CHARLES C. MOSKOWITZ,
Vice President & Treasurer

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared a quarterly dividend of thirty-five cents (35c) per share on the common stock payable July 15, 1948, to stockholders of record at the close of business on June 15, 1948. This dividend is equivalent to one dollar and five cents ($1.05) per share on the common stock outstanding before the stock was split three for one by the stockholders May 13, 1948.

GERARD J. EGER, Secretary

IRVING TRUST COMPANY

One Wall Street, New York

May 27, 1948

The Board of Directors has this day declared a quarterly dividend of 20 cents per share on the capital stock of this Company, par $10., payable July 1, 1948, to stockholders of record at the close of business June 7, 1948.

STEPHEN G. KENT, *Secretary*

THE West Penn Electric Company

(INCORPORATED)

PREFERRED DIVIDENDS

The Board of Directors of The West Penn Electric Company has declared regular quarterly dividends on the preferred stocks of the Company as follows:

$1.75 per share (1¾%) on the 7% Cumulative Preferred Stock and $1.50 per share (1½%) on the 6% Cumulative Preferred Stock, for the quarter ending August 15, 1948, payable on August 16, 1948, to stockholders of record at the close of business on July 19, 1948.

$1.75 per share on the Class A Stock, for the quarter ending June 30, 1948, payable on June 30, 1948, to stockholders of record at the close of business on June 18, 1948.

COMMON DIVIDEND

The Board of Directors of The West Penn Electric Company has also declared a dividend on the Common Stock of the Company in the amount of twenty-five cents (25¢) per share, payable on June 30, 1948, to stockholders of record at the close of business on June 16, 1948.

H. D. MCDOWELL, *Secretary*

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

It's the last call for dinner for such of the New Deal boys as have managed to hang around, and they know it. So they are snatching desperately for that last mouthful or two of favorite projects before the gravy train comes to a final stop for them in January.

Take, for instance, that little mouthful of money to merely start a steam electric generating plant for the Tennessee Valley Authority. It is a mere $4 million. What if the plant eventually will cost $54 million? Ridiculous! They are asking for only $4 million now, yet that House Appropriations Committee, insensible to the wonders of TVA, just refuses to go along.

TVA was sold as a "developmental" project. It was supposed to harness the rivers so as to prevent floods, promote soil conservation, and generally give the paradise treatment to the valley of the Tennessee and all the tributaries which could be hooked thereon to the program. You must understand, at least if you believe the New Dealers, that the huge production of hydro-electric energy was a mere incidental by-product of the whole deal.

The project has grown and flourished, constantly fertilized by the Treasury. It is so good that whenever a visiting desert prince or the secretary of the interior of a Latin American country puts up at the Blair house, you send him on a free tour of the Tennessee Valley area, the better to see what government management and government operation of a region's basic economy can do, especially when it is relieved of mere financial worries.

So good has been TVA that it has pushed out all private electric power. Yet in the Tennessee Valley Empire of the government, power also is running short of expanding needs. There is no more water power to be tapped. The answer, tough for the public power boys to reach, was steam power. It was a tough decision, because it's difficult to connect up the installation of steam power generation, a classic private enterprise, with the excuse that you are spending money to harness a river system.

So they asked for permission to start a steam generating plant, and Mr. Truman's budget office approved. They figured if they set the original ante a mere $4 million, they would have a better chance of getting away with it. And, of course, there was no thought of letting private power — that business which has reduced prices during most of the inflationary period—back into the Big Government TVA preserve.

* * *

New Dealers also tried again to get by the Congress a provision of funds for the construction of steam generating plants in connection with the power phases of irrigation and reclamation projects. They got slapped down once more.

"Continuing this long-established policy, the committee has disapproved requests made in the present bill for a steam plant and for transmission lines and switchyards not required for reclamation purposes," the Appropriations committee declared.

* * *

Probably one of the most luminous last-minute bids for power was that which came from the Administration housing bureaucracy to alter and enlarge the character of share-account savings and loan institutions. It was proposed to the Congress that (1) on call of the Federal Savings and Loan Insurance Corporation the Treasury would be obliged to lend $750 million to FSLI; (2) that the Treasury could invest $1 billion in the Home Loan Banks; and (3) that Savings and Loan Associations could be empowered to accept deposits of public funds, fiduciary money and the like.

Theoretically the savings and loan insurance fund would have a contingent back-stop in the Treasury, the same as the Federal Deposit Insurance Corp., which in an emergency can call on the Treasury for up to $3 billion.

However, by making institutions intended for the purpose of mobilizing long-term credit for mortgages into demand depositories, the newest Administration proposal would go a long way toward breaking down the distinction between the commercial banking system and a system for attracting money for investments in mortgages.

A distinction between the FDIC and the Home Loan Bank Board, which nominally supervises the Savings and Loan Associations, is that the latter is only a part of an agency set by President Truman known as the Housing and Home Finance Agency. This is an overall "coordinating" agency in the government housing field which actually sticks a finger into much HLBB business and *de facto* deprives it of any independence similar to that enjoyed by the FDIC.

Needless to say this proposal has raised a storm of protest from other Federal agencies, and it would not have been given serious treatment if it had come from the industry alone. Instead it came as a bid for expanding the power of HHFA, the agency which has been plugging with considerable success on behalf of the T-E-W omnibus and public housing bill. This last-minute proposal also will fail.

* * *

It is beginning to look like the waiving of the duty upon imported lead will be continued until about mid-1949. On the other hand, the odds are against passage this year of the proposal to spend $80 million for subsidies for the production of marginal metals and minerals needed for the war stockpile.

* * *

Advocates of the draft of men for the armed services are still expecting approval of a bill by both houses inducting or allowing the President to induct men 19 to 25 for two years service. They become less sure, however, of a safe margin for the draft as the final vote is delayed from week to week.

* * *

Despite the fact that the Federal Reserve system staff study proposing uniform reserves of specified percentages for demand, time, and inter-bank deposits regardless of the location of the commercial bank got the attention of a Joint Economic committee hearing, it still is an immature project at this stage.

What actually happened was that Senator Taft, Chairman of JEC, invited Thomas B. McCabe, the new Chairman of the FR Board to come down and talk in open hearing about credit control. McCabe begged off, saying in effect that he hadn't been around long enough to make up his mind about this subject. If Senator Taft wanted to hold a hearing, there was this staff study about uniform reserves he could look into. So that was how it happened.

Best guess is that it will not be much before a year from now that the Reserve system is ready to recommend a plan doing away with the old arrangement of central reserve, reserve city and country bank classifications.

* * *

Incidentally, along about next winter you may find that there is more than meets the eye in Marriner Eccles's formal acceptance of the situation created when President Truman backed down on his promise to name Eccles Vice-Chairman of the FR Board. If Mr. Eccles, whose board term runs until 1958, were to quit now, Mr. Truman would have the privilege of naming his successor to the vacancy. That privilege is likely to be offered to Mr. Truman's successor, should Eccles hold off leaving Washington until after the November election.

* * *

Last September the President hauled Charles W. Luckman to Washington to energize a food saving campaign. Mr. Luckman tried to persuade farmers to feed less grain to their livestock, which they were doing anyway because it was uneconomical. He also tried to get people to eat less bread, a proposal all but dropped eventually.

Nevertheless, there is still a vestige of his organization left in this capital. It's carrying on a drive for food and feed conservation. It cost $1 million a year to run. The drive has two objectives. One is to try to persuade farmers to keep the rats out of their corn cribs. The other is to try to persuade people to buy food which is cheapest in season.

* * *

Practically all Washington was thrown off base by the GM "cost of living" settlement. Until this was announced, everybody was predicting that manufacturers, facing a spreading consumer resistance would resist wage hikes. So there would be many strikes. Now officials are not so sure.

* * *

Harold Knutson's business tax revision, after it passes the House will languish in the files of the Senate Finance Committee. The Chairman of the House Ways and Means Committee was hopeful that his final bill stripped of material tax reduction, and free of excise tax adjustments, might go through. However, there are reported to be some draftsmanship flaws in the bill.

The Senate Finance Committee is opposed to approving any bill without at least some hearings. If the committee were to hold hearings this year, there would be no time left for action on the Senate floor. Another obstacle is that in the Senate it is not possible, as it is in the House, to choke off "demagogic" amendments. Thus, lefties right away would offer President Truman's $40 per head tax exemption if this thing ever got to the Senate floor. It is not likely to.

* * *

World Bank bonds in other than U. S. dollars are not in the cards for a long time, except for a rare deal similar to the Swiss franc bonds put with the Bank for International Settlements. Switzerland is not a member of the bank. The Netherlands needed a little Swiss money. This, however, is more of an unusual than a usual deal. And, of course, any public sale of new U. S. dollar World Bank bonds also is still a long way off. World Bank repeats its word that it will soon spring a loan guarantee proposition.

BUSINESS BUZZ

"You'd be surprised how it keeps rental overhead down!"

San Francisco Security Traders Association

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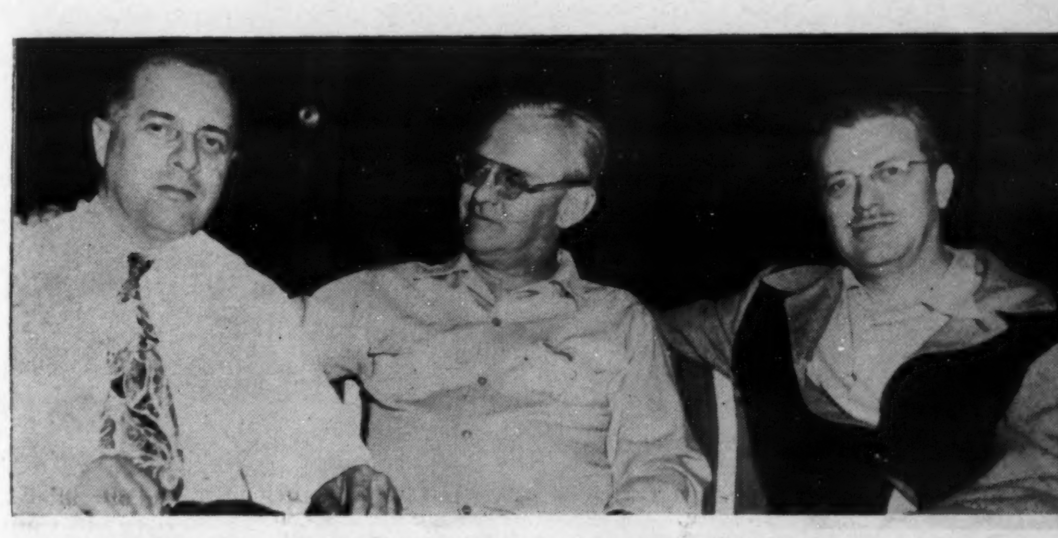

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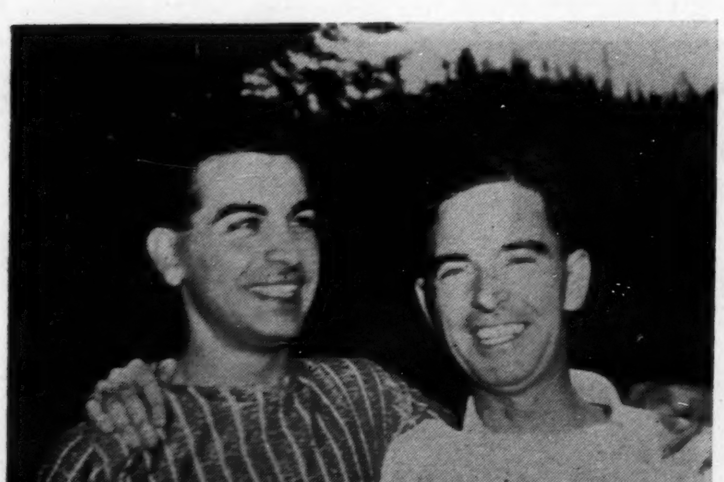
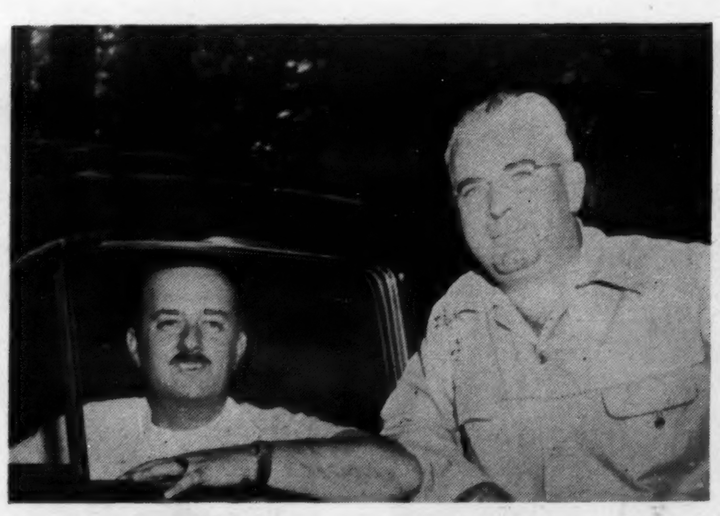
Connie Shafft, *Shafft, Snook & Cahn*; Walter Schag, *First California Company*



Walter J. Vicino, *Blyth & Co., Inc.*; Jack Ford, *Douglass, Van Der Naillen & Co., Inc.*

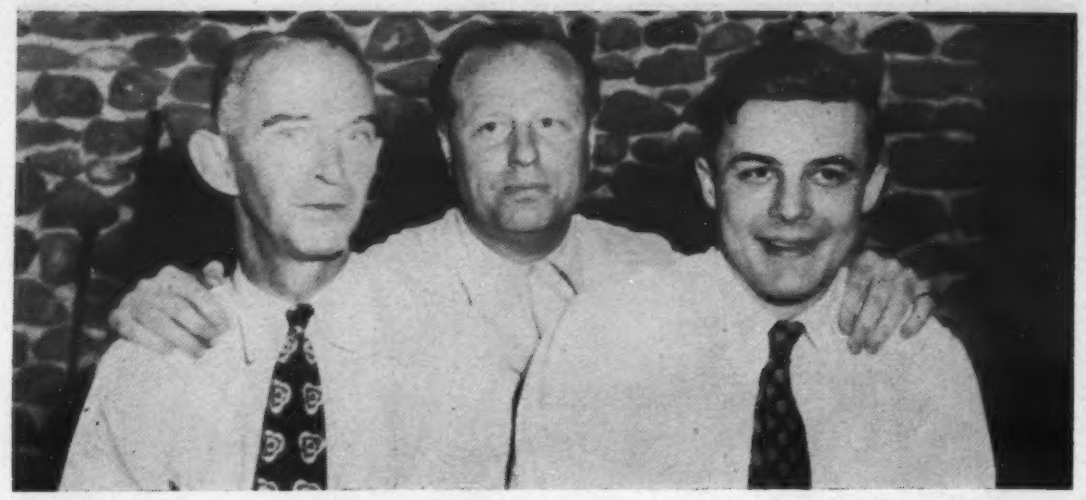


Jack Sullivan, *First California Company*; "Pete" Finnegan, *Hannaford & Talbot*

Collins Macrae (President of S. F. Traders' Ass'n), *Wulff, Hansen & Co.*

Holds Annual Spring Outing May 22-23, 1948

Pierce Garrett, *Dempsey-Tegeler & Co.*, Los Angeles; Emmet K. Whitaker, *Davis, Skaggs & Co.*; J. Earle ("Lefty") May, *J. Earle May & Co.* of Palo Alto



Joseph E. Larzelere, *H. Irving Lee & Co.*, San Jose; Edwin L. Beck, *"Commercial & Financial Chronicle"*; "Bugs" Moran, *Conrad, Bruce & Co.*

Harvey J. Franklin, *American Trust Co.*; Andrew E. Steen, *American Trust Co.*

Tony Bottari, *Wm. R. Staats Co.*; Jack Quinn, *Stone & Youngberg*

Al Hewitt, *First California Company*; "Cookie" Faulkner, *Wulff, Hansen & Co.*; "Rich" J. Payne, *Geyer & Co., Inc.*

Jack Palmer, *Conrad, Bruce & Co.*, Harry L. Schmid, *William D. James Co.*, Sacramento; Brooks D. Weber, *Davies & Mejia*

Richard R. O'Neil, *Oscar Kraft & Co.*, Los Angeles; Jack Egan, *First California Co.*

Frank A. McGinley, *Blyth & Co., Inc.*; John J. O'Reilly, *Denault & Co.*

At Northwood Lodge in Sonoma County

Jim Powell, *Harris, Upham & Co.*; John E. Buick, *American Trust Co.*

"Ernie" Blum, *Brush, Slocumb & Co.*; Louis J. Spuller, Jr., *Elworthy & Co.*

Joe Talbot, *Hannaford & Talbot;* Charles B. Kane, *Geyer & Co., Inc.*

Bill Miller, *Fairman & Co.*, Los Angeles; Earl Thomas, *Dean Witter & Co.*

Bill Hyde, *Blair & Co., Inc. of New York;* Jack James, *Marache, Sims & Co.*, Los Angeles

Charles B. Harkins, *Blyth & Co., Inc.*; Nieland B. Van Arsdale, *Blyth & Co., Inc.*, Los Angeles; Joseph C. Kessler, *Henry F. Swift & Co.*

Sandy Hogland, *Brush, Slocumb & Co.*; Paul E. Isaacs, *Sutro & Co.*

George H. Earnest, *Fewel & Co.*, Los Angeles; Sam Green, *Pledger & Co.*, Los Angeles

Ted Baker, *Dean Witter & Co.*; Houston Hill, Jr., *J. S. Strauss & Co.*

Most Successful Weekend in the Redwoods

Tom Price, *McAndrew & Co., Inc.;* Dick Abrahamson, *Weeden & Co.*

Traders at the Lodge

Leonard De Martini, *Mitchum, Tully & Co.;* Tony Richman, *Davies & Mejia;* William Belknap, *Walston, Hoffman & Goodwin*

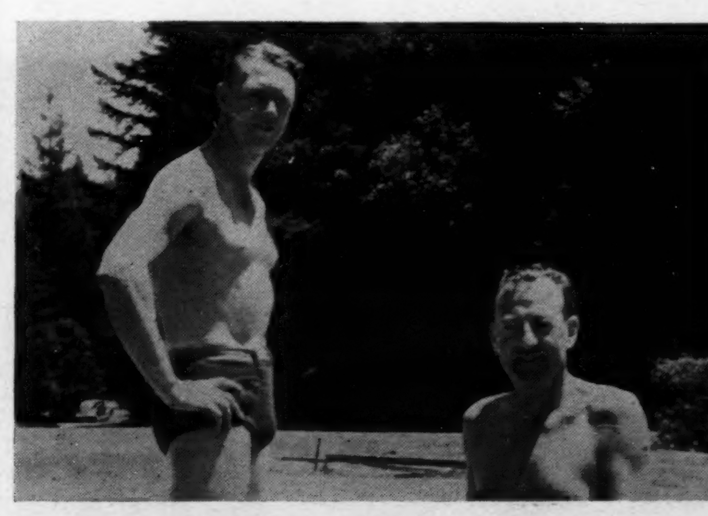
Traders at the Lodge

Jack Hecht, *Dempsey-Tegeler & Co.,* Los Angeles; Jesse M. Levy, Jr., *Lawson, Levy & Williams.*

Kenneth H. Sayre, *Needham & Co.,* Palo Alto; Hodge H. Davidson, *Bailey, Selland & Davidson;* Terrence M. Dempsey, *Merrill Lynch, Pierce, Fenner & Beane*

Matt Morton, Jr., *Davis, Skaggs & Co.;* Elmer L. Weir, *Brush, Slocumb & Co.*

Armando Etiopi (Accordion), *Armando Sport Shop,* San Carlos; "Mac" McCarty (Bass Fiddle), *Boots & Saddle,* Belmont, Calif.



Ken Donald, *First California Company;* George G. Gumbel, *J. Barth & Co.*